BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE JOINT APPLICATION OF QWEST CORPORATION, QWEST COMMUNICATIONS COMPANY, LLC, QWEST LD CORP. dba QWEST LONG DISTANCE, EMBARQ PAYPHONE SERVICES, INC. AND CENTURYTEL SOLUTIONS, LLC FOR APPROVAL OF THE PROPOSED MERGER OF THEIR PARENT CORPORATIONS QWEST COMMUNICATIONS INTERNATIONAL INC. AND CENTURYTEL, INC.

DOCKET NO. T-01051B-10-0194
T-02811B-10-0194
T-04190A-10-0194
T-20443A-10-0194
T-03555A-10-0194
T-03902A-10-0194

THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL EXECUTIVE AGENCIES'

NOTICE OF RE-FILING OF ITS INITIAL TESTIMONY

The Secretary of Defense, through duly authorized counsel, on behalf of the consumer interests of the United States Department of Defense and all other Federal Executive Agencies (collectively referred to herein as "DoD/FEA"), hereby provides notice of the re-filing of the Initial Testimony of Charles W. King on behalf of DoD/FEA ("Initial Testimony"), dated September 27, 2010, in the above-captioned proceeding. DoD/FEA's Initial Testimony was originally forwarded on September 24, 2010, by UPS Overnight Mail for delivery at the Commission's Docket Control on September 27, 2010. This is a re-submission made at the request of Record Control and is merely an administrative re-filing which should be deemed to have been originally filed September 27, 2010. As indicated by the original September 24, 2010, certificate of service, all counsel and parties were then caused to be mailed a hard-copy of the Initial Testimony by

USPS 1st Class Mail. Additionally, on September 27, 2010, electronic email service of the original filing of the Initial Testimony was provided to all counsel and parties.

Respectfully submitted,

Stephen S. Melnikoff

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Regulatory Law Office (JALS-RL)
U.S. Army Litigation Center
901 North Stuart Street, Suite 700
Arlington, Virginia 22203-1837

For
The United States Department of Defense
And
All Other Federal Executive Agencies

Dated: October 4, 2010

Originals and thirteen (13) copies of the foregoing Notice of Re-filing and DoD/FEA's Initial Testimony sent Overnight UPS this 4th day of October 2010 to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing Notice of Re-filing (only) sent Overnight UPS this 4th day of October 2010 to:

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Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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Maureen A. Scott, Senior Staff Counsel
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By: ______________________
Stephen S. Melnikoff

(9/22/2010)

DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
ARLINGTON, VIRGINIA 22203-1837

September 24, 2010

REPLY TO
ATTENTION OF
Regulatory Law Office
U 4201

VIA OVERNIGHT UPS
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Subject: **Initial Testimony of Charles W. King on behalf of DoD/FEA**

In Re: **Docket No. 10-0194 et al.** – In the Matter of the Joint Application Of Qwest Corporation, Qwest Communications Company, LLC, Qwest LD Corp. dba Qwest Long Distance, Embarq Payphone Services, Inc. and CenturyTel Solutions, LLC for Approval of the Proposed Merger of their Parent Corporations Qwest Communications International Inc. and CenturyTel, Inc.

To The Honorable Commission:

Enclosed for filing in the above-captioned proceeding is the Initial Testimony of Charles W. King and Exhibits on behalf of the United States Department of Defense and All Other Federal Executive Agencies (collectively referred to herein as "DoD/FEA"). A Certificate of Service is appended to this filing.

Copies of this document are being sent in accord with the Certificate of Service. Inquiries to this office regarding this proceeding should be directed to the undersigned at (703) 696-1643.

Thank you for your cooperation and assistance in this matter.

Sincerely,

Stephen S. Melnikoff
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Regulatory Law Office (JALS-RL)
U.S. Army Litigation Center
901 N. Stuart Street, Suite 700
Arlington, Virginia 22203-1837
Telephone: (703) 696 - 1643
stephen.melnikoff@hqda.army.mil

Enclosure
CF: See Certificate of Service

Original and thirteen (13)
copies of the foregoing was caused to be sent by
Overnight UPS this 24th day of September 2010 to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing was caused to be sent by
pre-paid First Class Mail USPS
this 24th day of September 2010 to:

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Hearing Division
Arizona Corporation Commission
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Phoenix, Arizona 85007

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By: SMelnikoff

Stephen S. Melnikoff

(9/22/2010)

DoD/FEA Exhibit 1

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE JOINT APPLICATION OF QWEST CORPORATION, QWEST COMMUNICATIONS COMPANY, LLC, QWEST LD CORP. dba QWEST LONG DISTANCE, EMBARQ PAYPHONE SERVICES, INC. AND CENTURYTEL SOLUTIONS, LLC FOR APPROVAL OF THE PROPOSED MERGER OF THEIR PARENT CORPORATIONS QWEST COMMUNICATIONS INTERNATIONAL INC. AND CENTURYTEL, INC.	DOCKET NO. T-01051B-10-0194 T-02811B-10-0194 T-04190A-10-0194 T-20443A-10-0194 T-03555A-10-0194 T-03902A-10-0194 THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL EXECUTIVE AGENCIES' INITIAL TESTIMONY

INITIAL TESTIMONY

of

CHARLES W. KING

On Behalf of
THE DEPARTMENT OF DEFENSE
And
ALL OTHER FEDERAL EXECUTIVE AGENCIES

STEPHEN S. MELNIKOFF
General Attorney
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Arlington, Virginia 22203-1837

September 27, 2010

CONTENTS

INITIAL TESTIMONY OF
CHARLES W. KING

QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Charles W. King. I am President of the economic consulting firm of Snavely King Majoros & O'Connor, Inc. ("Snavely King"). My business address is 1111 14th Street, N.W., Suite 300, Washington, D.C. 20005.

Q. PLEASE DESCRIBE SNAVELY KING.

A. Snavely King, formerly Snavely, King & Associates, Inc., was founded by the late Carl M. Snavely and myself in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 12 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before federal and state regulatory agencies. Over the course of its 40-year history, members of the firm have participated in over 1000 proceedings before almost all of the state commissions and all Federal commissions that regulate telecommunications, utilities or transportation industries.

Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. Attachment A is a summary of my qualifications and experience.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN REGULATORY PROCEEDINGS?

A. Yes. Attachment B is a tabulation of my appearances as an expert witness before state and federal regulatory agencies. It shows that I have testified before the public utility commissions of over 40 states, including Arizona, and I have appeared before all federal agencies that regulate telecommunications, utilities, transportation and postal services.

Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?

I am appearing on behalf of the consumer interests of the Department of Defense ("DoD") and all other Federal Executive Agencies ("FEA") in Arizona.

INTERESTS OF DoD/FEA

Q. WHY HAS DoD/FEA INTERVENED IN THIS CASE?

A. The Department of Defense and all other Federal Executive Agencies have a substantial presence in the State of Arizona. Several major military installations are located in Arizona, including Fort Huachuca, Davis-Monthan Air Force Base, Yuma Proving Ground and Luke Air Force Base. In addition, the Federal presence also exists in major facilities such as the Department of Veterans Affairs Medical Centers in Phoenix and Tucson, and Federal Buildings and Courthouses in Phoenix and Tucson. Moreover, in the affected service area there are numerous and widespread small-business sized offices such as Armed Forces recruiters, Post Offices, Social Security offices, as well as offices housing Fish and Wildlife Service, National Parks, USDA Forest Service and Farm Service/Agricultural employees and agents. Federal employment (Civilian and Active Duty Military) in Arizona exceeds 60,000 persons.

This very substantial presence makes DoD/FEA one of the largest users of telecommunications services in the state of Arizona.[1] It is important to DoD/FEA that services in the affected exchanges are provided in an efficient manner, at reasonable cost, and with the highest service quality and performance. DoD/FEA

[1] Although in aggregate DoD/FEA is one of the largest users, it obtains a broad variety of services. Individual customer locations cover a wide range of sizes, employing the full panoply of telecommunications services from single-line business service to complex, multimodal and specially designed networks.

is concerned that any change in Qwest's corporate governance be seamless and not degrade retail services, and that CenturyLink be willing and able to offer state-of-the-art retail business services of the nature that DoD/FEA operations require.

Moreover, the DoD/FEA interest goes beyond the locations directly affected by the transition. Where possible, DoD and FEA telecommunications services are procured under contract through competitive bidding. The effectiveness of the competitive procurement process is, of course, dependent upon there being a number of financially strong and technically capable entities that can submit bids. If the proposed transfer is approved, it is important to DoD/FEA that CenturyLink's competitors have the opportunity to access Federal installations on a fair and reasonable basis through CenturyLink facilities and that CenturyLink be able to render service to Federal locations even outside of its service territories. Moreover, CenturyLink itself must be a sophisticated competitive bidder capable of providing the full range of telecommunications services at reasonable costs to the Federal government.

The merged company will also be a wholesale provider of services and facilities to competitive retail telecommunications providers. The service quality performance, the practices, and the operations of that company must support fair and effective competition among carriers in providing services to business customers and the general public in Arizona.

Unfortunately, the record of recent telecommunications acquisitions has not been encouraging.

PREVIOUS TELECOMMUNICATIONS ACQUISITIONS

Q. WHAT PREVIOUS TELECOMMUNICATIONS ACQUISITIONS ARE YOU REFERRING TO?

A. I am referring to the three recent major Verizon landline spin-offs to acquiring companies. The first was the acquisition of Verizon's Hawaiian landline assets by The Carlyle Group ("Carlyle"). The second was the purchase of Verizon's northern New England wireline operations by FairPoint Communications ("FairPoint"). The third and most recent was the acquisition of Verizon's non-metropolitan operations in 14 states by Frontier Communications.

Q. PLEASE DESCRIBE THE HAWAIIAN TELEPHONE TRANSACTION.

A. The Hawaiian transaction provides a case study of the difficulties that ill-advised telephone company acquisitions can lead to. It was unsuccessful in almost all respects, resulting in severe service degradation to Hawaiians and in the financial failure of the successor company.

In 2004, Verizon sought approval to sell its Hawaiian assets to Carlyle, a private equity enterprise. Carlyle created a new entity, Hawaiian Telcom, Inc. ("HT"), to provide the local exchange services previously offered by Hawaiian Telephone. The applicants in that case stated that after the transition HT "will have the financial fitness and ability to fund the continuing operations of Verizon Hawaii through the revenue generated from the existing and proposed operations."[2] Likewise, the applicants stated that they ". . . acknowledge the importance of ensuring a seamless transition for customers and have conducted a rigorous process to select a world-class systems integrator to replicate the full functionality of the systems currently provided by Verizon."[3] In 2005, the Hawaii Public

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[2] Application, Docket No. 04-0140, June 21, 2004, pp. 13-14.
[3] *Id.*, p. 15.

Utilities Commission ("HPUC") approved the transfer subject to numerous conditions.[4]

In its decision approving the sale, the HPUC stated that it would initiate an investigation of HT's service quality approximately six months after HT assumed the back-office operations that Verizon previously provided on a national basis to all of its service territories, including Hawaii. This service quality proceeding, HPUC Docket No. 2006-0400, confirmed that the transition from Verizon was far from seamless or harmless to customers. Although the HPUC has not yet rendered a decision in that proceeding, it is undisputed that for more than a year following the cutover from Verizon's back-office operations, HT was unable to collect data – even manually – as to six service standards for which the HPUC required reports.[5] Thus, the full extent of the problems associated with the transfer could not even be quantified.

As to the seven service standards for which HT <u>was</u> able to file reports, five dealt with call answering time. HT's ability to answer calls was lacking compared to the experience under Verizon. For example, during the nine months following the cut-over, HT's percent of residential installation and billing office calls answered in 20 seconds ranged from a low of 8.01 percent to a high of 70.37 percent, compared to the objective of 85 percent and Verizon's 2005 percentage of 87.46 percent. Likewise, the answering time achieved for business installation and billing office calls following the cut-over ranged from 12.83 percent to 78.82 percent compared with the objective of 85 percent and Verizon's achieved rate of 88.23 percent.[6] In an effort to repair the damage caused by the non-functioning systems, HT had to replace the contractor working on the transition.[7]

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[4] Docket No. 04-0140, Decision and Order No. 21696, March 16, 2005.

[5] HT's Post-Hearing Brief, HPUC Docket No. 2006-0400, filed November 9, 2007 at p. 118, fn. 101. The missing reports included crucial data such as the percent of trouble reports cleared within 24 hours, the percent of installation and repair commitments met and customer trouble reports per 100 lines.

[6] HT's February 15, 2007 Statement of Position, HPUC Docket No 2006-0400, pp. 39-41.

[7] *Id.,* pp. 74-77.

HT admitted in its pleadings that service suffered as a result of the transition from Verizon and that it created erroneous bills and was unable to handle adequately incoming calls.[8] HT candidly admitted that "... the cutover did unfortunately create some negative impacts on its customers." [9] Finally, HT agreed with the assessment of the Consumer Advocate that its "... retail customers following cutover experienced long waiting times to reach [its] contact center, extremely slow and long transaction processing times, high levels of fall out, long waiting times to repair, missed or delayed installation and repair commitments and billing errors."[10]

The cutover from Verizon's back-office operations also caused significant problems for HT's wholesale customers. One Competitive Local Exchange Carrier ("CLEC"), Time Warner Telecom of Hawaii, L.P. ("TWTC"), summarized the problems as follows:

> HT's conversion to its new back office systems was a failure by any measure. Immediately following cutover, virtually none of the wholesale back office systems were functioning. Today, 19 months after cutover, they are still not functioning at the same level as the Verizon systems. Although HT has made significant progress in addressing its issues, those efforts are not complete.
>
> HT violated the Merger Decision and the Stipulation by failing to provide the same or similar functionality for wholesale service as previously provided by Verizon, and by failing to remain on the Verizon systems until HT's new systems were fully tested and operational. These violations significantly harmed TWTC and HT's other customers.[11]

In summary, the applicants in the Hawaii sale promised a seamless transition to HT's back-office systems, but the record in that case – including HT's own

[8] *Id.*, pp. 53-57.
[9] HT's August 31, 2007 Final Position Statement, HPUC Docket No. 2006-0400, p. 21.
[10] *Id.*, p. 7.
[11] Time Warner Telecom of Hawaii, L.P., dba Oceanic Communications' Post-hearing Brief, HPUC Docket No. 2006-0400, November 9, 2007, p. 2 (footnote omitted). The text of the brief contains a detailed description of HT's numerous failures in connection with providing wholesale service after acquiring the Verizon exchanges, and the adverse impact that the failures had on Time Warner and its customers. Another CLEC, Pacific LightNet, Inc., filed a Post-hearing Brief asserting that the flawed transfer of operations caused it to incur additional expense to resolve interconnection problems and billing errors.

pleadings -- shows that both wholesale and retail customers suffered significantly from the failure of automated systems, dropped calls, long call answering and holding times, billing errors and costly manual efforts to correct the deficiencies. HT was not able to track repair and installation times, so that data for these critical service quality metrics could not even be assessed in determining the adverse effects of the transition to HT's systems.

On December 1, 2008, HT filed for Chapter 11 bankruptcy protection.[12] The public explanation for the bankruptcy was the impending inability to refinance its debt, but the costs and lost customers resulting from HT's poor service quality probably contributed to the Company's inability to service its debt.

Q. PLEASE DESCRIBE VERIZON'S SALE OF NEW ENGLAND OPERATIONS TO FAIRPOINT.

A At the beginning of 2007, FairPoint was an incumbent local exchange telecommunications company with about 330,000 access lines. In that year, Verizon New England, Inc., FairPoint, and affiliated firms announced a planned $2.4 billion transaction, similar in some respects to that proposed in Arizona (but smaller in size), under which FairPoint would obtain Verizon's landline businesses in Maine, New Hampshire and Vermont.

The proposed transaction was controversial and the implementation of the sale was seriously flawed. In Vermont, for example, the Public Service Board initially denied the application. The petitioners submitted a revised proposal in which they improved the transaction from the standpoint of ratepayers in several ways. The revised proposal bettered FairPoint's financial standing after the acquisition by substantially reducing the initial debt and decreasing dividends. In addition, the proposal was revised to include a Performance Enhancement Plan, which was

[12] See Hawaiian Telcom Communications, Inc., Securities and Exchange Commission Form 8-K filed December 1, 2008, and HT's December 1, 2008 Press Release contained in that filing.

designed to prompt more investment and improve service quality by mandating that FairPoint set aside funds if it failed to meet certain specified service standards. Also, FairPoint agreed to an independent monitor of the transition from Verizon's systems to its own, with the objective of making the transition more seamless and further safeguarding consumers.[13]

The Vermont Public Service Board approved the transfer with additional conditions on February 15, 2008.[14] Following the transaction, there began a series of "cutover" problems that are still not fully resolved. Indeed, service deteriorated to the extent that the Board called for an investigation into whether the Company should be allowed to continue its operations in the state if it cannot overcome its customer service, billing and operational problems.[15]

On October 26, 2009, FairPoint announced that it had filed for Chapter 11 bankruptcy protection.[16]

Q. HAVE THERE BEEN SERVICE PROBLEMS WITH THE SALE OF VERIZON'S EXCHANGES TO FRONTIER COMMUNICATIONS?

A. On May 13, 2009, Frontier Communications and Verizon entered into an Agreement and Plan of Merger (the "Merger Agreement") under which Frontier, through the acquisition of stock, would acquire approximately 4.8 million access lines owned by subsidiaries of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, Wisconsin and West Virginia as well as a small number of access lines in California bordering Arizona, Nevada and Oregon. The sale was consummated in the spring of 2010 and is so recent that it cannot yet be determined whether this

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[13] Vermont Public Service Board Docket No. 7270, Order entered February 15, 2008.
[14] *Id.*
[15] Vermont Docket No. 7270 Information Page at http://www.state.vt.us/psb/document/. This testimony has focused on Vermont, but the problems exist in the other states as well. For example, on July 29, 2009, the *Bangor Daily News* reported that the Maine Public Utilities Commission refused to waive the financial penalties that FairPoint had incurred for poor service performance.
[16] FairPoint Form 8-K, filed with the Securities and Exchange Commission, October 26, 2009.

transition will be more successful than the two previous transactions, but there are already disturbing indications.

On July 21, 2010, FiberNet, a competitive local exchange carrier, filed a Petition to Reopen the Frontier/Verizon authorization proceeding in West Virginia. FiberNet cited a number of problems it allegedly experienced when attempting to order wholesale services through Frontier's operational support systems (OSS). FiberNet asserted that the various problems have created delays in providing service to FiberNet customers and increased costs for FiberNet. FiberNet requested that the Commission reopen this matter and direct Frontier to provide an OSS that is functionally equivalent to the system previously provided by Verizon. The West Virginia Public Service Commission has established a complaint proceeding to deal with FiberNet's alleged problems.[17] DoD/FEA Exhibit 2 is a copy of the Commission's Order. It remains to be seen whether the difficulties experienced by FiberNet are discrete to that company or are part of a wider deterioration in service.

Additionally, it appears that the very favorable cost-benefit ratios claimed by Frontier may have begun to unravel. Frontier and Verizon had stated that Frontier expected the fully implemented transaction would yield annual operating expense savings of $500 million.[18] Recently, however, Frontier revealed a significant increase in systems integration costs that cuts into the previously heralded savings:

> While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. For example, our estimate of expected 2010 capital expenditures related to integration activities has recently increased from $75 million to $180 million, attributable in large part to costs to be incurred in connection with third-party software licenses necessary to operate the Spinco business after the closing

[17] West Virginia PSC Order of August 16, 2010 in Case No. 09-0871-T-PC.
[18] Verizon Communications Inc. and Frontier Communications Corp. Application to the Federal Communications Commission, *Consolidated Application for Transfer of Control and Assignment of International and Domestic Section 214 Authority*, May 28, 2009, Exhibit 1 (Description of the Transaction and Public Interest Statement), p. 3.

> of the merger. Accordingly, the benefits from the merger may be offset by costs incurred or delays in integrating the companies.[19]

Q. WHAT IS THE LESSON FROM THESE PREVIOUS ACQUISITIONS?

A. All of these transactions were described as seamless and of no harm to consumers, much as this transaction in Arizona has been described by CenturyLink and Qwest. Events proved otherwise in each case. In view of this history, this Commission must view with great suspicion the Applicants' statements that there will be no impact on customers from the transfer. Indeed, CenturyLink itself acknowledges the very substantial risks associated with this merger. The following is an excerpt is from CenturyLink's second quarter 2010 SEC Form 10-Q.

> We expect to incur substantial expenses in connection with completing the Qwest merger and integrating Qwest's business, operations, networks, systems, technologies, policies and procedures of Qwest with ours. There are a large number of systems that must be integrated, including billing, management information, purchasing, accounting and finance, sales, payroll and benefits, fixed asset, lease administration and regulatory compliance. While we have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of our integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Moreover, we expect to commence these integration initiatives before we have completed a similar integration of our business with the business of Embarq, acquired in 2009, which could cause both of these integration initiatives to be delayed or rendered more costly or disruptive than would otherwise be the case. Due to these factors, the transaction and integration expenses associated with the Qwest merger could, particularly in the near term, exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the merger. As a result of these expenses, we expect to take charges against our earnings before and after the completion of the merger.

[19] Frontier Communications, Inc., Form 10-Q, filed May 16, 2010, p. 56.

> The charges taken after the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present. Following the Qwest merger, the combined company may be unable to integrate successfully our business and Qwest's business and realize the anticipated benefits of the merger.[20]

I have attached the full Form 10-Q discussion of merger risks as DoD/FEA Exhibit 3.

I therefore believe it is important that this Commission establish safeguards to ensure that the difficulties that arose in these previous transactions will not be repeated in Arizona.

ASSESSMENT OF THE TRANSACTION

Q. DO YOU OPPOSE THIS TRANSACTION?

A. Not necessarily. Although I have some reservations which I will discuss, there are a number of features of this transaction that are more promising than those of the previous acquisitions. CenturyLink is a much larger, more experienced and financially healthier company than the Carlyle Group, FairPoint or Frontier. Unlike the previous acquisitions, this transaction is a stock transfer that involves no new debt. So far, the record of CenturyLink's acquisitions has been relatively trouble-free. The combined company will display a much stronger balance sheet relative to that of Qwest at the present time. With appropriate conditions, I believe the merger may be in the public interest.

Q. WHAT, THEN, IS YOUR CONCERN IN THIS PROCEEDING?

A. I am concerned that the transition from Qwest to CenturyLink be as seamless as possible and that there be no rate increases, disruptions, or other service quality

[20] CENTURYTEL INC, Form 10-Q, filed August 6, 2010, p. 32. See DoD/FEA Exhibit 3.

losses arising from this transaction. In this testimony, I recommend several conditions that should be imposed on the merged company as part of the approval of the transaction.

These conditions relate to two principal areas of concern to DoD/FEA. The first is the financial stress than may be imposed on the merged company's Arizona operations. The second is the maintenance of adequate service quality in the Arizona exchanges.

FINANCIAL STRESS ON ARIZONA OPERATIONS

Q. WHY ARE YOU CONCERNED ABOUT THE FINANCIAL HEALTH OF THE ARIZONA OPERATIONS?

A. CenturyLink asserts that the merger of its company with Qwest will generate annual synergies of $625 million.[21] These synergies are expected to take the form of reduced corporate overheads, network and operational efficiencies, IT support, increased purchasing power, and the combining of the two companies' advertising and marketing programs. As the foregoing excerpt from CenturyLink's Form 10-Q concedes, these synergies are difficult to forecast with precision, and they may not develop as expected.

How many of these synergies will accrue to Arizona is open to question. Certainly, there will be no synergies from combining operations in Arizona because CenturyLink currently has no presence in the state. The Application is emphatic that Qwest will continue to operate exactly as it does now, so that subscribers will see no difference in the services following the transaction relative to the present. If so, then the greatest benefits of the synergies will be found elsewhere, presumably in those states where both CenturyLink and Qwest operate.

[21] Direct Testimony of Jeff Glover, p.13.

Whatever the synergies, they come at a substantial cost. The Applicants estimate that there will be one-time operating costs of $650 to $850 million to achieve the planned synergies nationwide. On top of that an additional $150 to $200 million in capital costs will be required.[22] These costs are estimates, and the Company concedes that they could be exceeded, as has happened in all three of the acquisitions discussed earlier in this testimony. Moreover, these costs will be incurred before the benefits of the synergies are felt, so that they represent a net new requirement for funds. Left unstated is where the money for these transition costs will come from.

It is possible that some of the money might come from new bond and stock issues, but there are downsides to these sources of funds. At present, CenturyLink is rated by S&P just above the critical BBB- rating that qualifies its bonds for "investment grade", meaning that fiduciary funds, such as pension and insurance funds, can buy the bonds. Qwest is rated just below that threshold. The combined company will thus be on the cusp of investment grade bond ratings. Any substantial increase in debt would push the company below that important threshold, eliminating a portion of its potential bond market and possibly increasing its interest costs.[23] Additional stock sales would dilute the value of the existing shares, depriving the stockholders of the full promised benefits of the merger. It is therefore likely that the Company will avoid these financing sources if it can find the needed funds elsewhere.

An important source of funds elsewhere will be the company's customers, and that is the source of my concern. As an alternative to bond or stock sales, CenturyLink may look to its local operations, including those in Arizona, to meet the urgent requirement to increase revenue.

[22] *Id.*, p. 6, fn. 8.
[23] Moody's Investor Services noted that CenturyLink is committed to an investment grade rating. *See* Direct Testimony of Jeff Glover, p. 18.

Q. WHERE MIGHT THE MERGED COMPANY FIND ADDITIONAL REVENUE IN ARIZONA?

A. Where the merged company can find additional revenue is dependent on the extent to which competition limits its ability to increase rates unilaterally. This very issue was recently addressed by the Federal Communications Commission ("FCC") in its response to a request from Qwest for "forbearance" from FCC regulation of certain services in the Phoenix Metropolitan Statistical Area ("MSA"). Qwest had argued that competition was sufficiently strong in the Phoenix area to preclude the possibility of its being able to sustain small but significant unilateral rate increases, which are the indicators of "market power". The FCC rejected Qwest's application, finding that Qwest indeed retained market power, particularly for the "last mile" local loop component of the telecommunications network.[24]

The FCC assessed the state of competition in both the wholesale and retail market segments in the Phoenix MSA.[25] It found that cable companies, such as Comcast, offer substitute telephone service to residential customers, but that wireless service does not provide price-constraining competition.[26] Importantly, the FCC summarized its findings for business and wholesale customers as follows:

> Under this analysis and based on the data in the record, Qwest fails to demonstrate that there is sufficient competition to ensure that, if we provide the requested relief, Qwest will be unable to raise prices, discriminate unreasonably, or harm consumers. For example, the record reveals that no carrier besides Qwest provides meaningful wholesale services throughout the Phoenix marketplace, and that competitors offering business services

[24] In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. §160(c) in the Phoenix, Arizona Metropolitan Statistical Area, WC Docket No. 09-135, *Memorandum Opinion and Order* (FCC 10-113, released June 22, 2010)("*Arizona Forbearance Order*").

[25] Although the FCC's findings are limited to the Phoenix MSA, it is unlikely that Qwest has less market power in the other parts of its Arizona service area, given the size and urban nature of the Phoenix MSA compared to its overall service area.

[26] *Arizona Forbearance Order,* para. 57.

> largely must rely on inputs purchased from Qwest itself to provide service.[27]

The FCC's findings provide the basis for evaluating the relative ability of Qwest to extract additional revenue by means of unilateral price increases from its three primary retail markets, residential, small commercial and large "enterprise" commercial.

If, as the FCC finds, wireless is not a price-constraining competitor, then the only effective price competition for residential telephone service must come from the Voice over Internet Protocol ("VoIP") service offered by the cable TV companies and Internet service providers such as Vonage.

A cable company offering VoIP will also provide Internet access. That being the case, Qwest's response is to offer its own "triple play" package of telephone, cable TV and Internet access or even a "quadruple play" package with the addition of wireless service from other providers.[28] In light of the fierce competition for these services, it is unlikely that Qwest could sustain significant rate increases either for its residential wireline service or its residential multi-service bundles.

Small business wireline service is another matter. Businesses require fixed telephone access with publicly available number identification. They may use wireless in addition to wireline, and they may use VoIP for long-distance service, but they are still heavily dependent on the conventional telephone, at least for inbound local access. Cable TV companies that offer telephone services over their facilities do not have the same marketing advantage for business users because businesses are usually not interested in broadcast television capabilities at the workplace. Therefore, while Cable TV companies may market to businesses,

[27] *Id.*, para. 2. The FCC's detailed findings as to Qwest's market power in the market for enterprise business services are set forth at paras. 87-91 and 99.
[28] Neither Qwest nor CenturyLink directly offers its own wireless service.

they are somewhat less of a competitive threat than in the residential market. In recent years, Competitive Local Exchange Carriers ("CLECs") provided some competition, but that competition is small and declining. As of June 30, 2009 only 33.5 percent of the land lines in Arizona were handled by competitive carriers, down from 36.8 percent a year earlier.[29] Furthermore, as the FCC has noted, these competitors principally use Qwest facilities to access their customers.

From these indications, I suspect that the merged company will probably seek additional revenues from the small business market. That additional revenue is likely to take the form of unilateral rate increases.

The "enterprise" market is the most competitive of the three major segments of wireline telephone market, although the FCC has found that even this market is susceptible to Qwest's control of the "last mile" local loops. Most services in this category are procured through competitive bidding, and the prices paid are generally subject to contract and not publicly disclosed. Even if the prices were publicly identified, they would likely not be comparable to tariff services because so much of enterprise service comes in the form of "bundles" of service elements.

But enterprise service does not exist in a vacuum. The ultimate ceiling on any competitive bid is the price that would be paid if the same services were purchased from the carrier's public tariff. When the published rates increase, that ceiling increases, providing more headroom for the competitors to increase their bids. Thus, even though enterprise customers can solicit competing bids, they still may experience an upward shift in those bids when the published rates for basic business services increase.

[29] Federal Communications Commission, "Local Telephone Competition: Status as of June 30, 2009", Table 8.

Based on the foregoing, I believe that basic business services are most susceptible to unilateral rate increases motivated by the need to raise revenue to implement the merger.

Q. IS IT IN THE PUBLIC INTEREST FOR THE MERGED COMPANY TO EXTRACT UNILATERAL RATE INCREASES IN THE ARIZONA MARKETS TO FUND THE MERGER?

A. No. This transaction is in the public interest only if the public is no worse off with the merger than without it. If the merged company increases its rates unilaterally to fund the merger, then its customers would have been better off if the merger had never taken place.

Q. WHAT IS THE RESOLUTION OF THIS PROBLEM?

A. The resolution is to impose a temporary price cap on basic business services to be effective until the synergies of the merger begin to be realized. By then, the need for additional revenue to fund the transition, including the direct costs of the merger, will have abated.

Q. WHAT BASIC BUSINESS SERVICE PRICES SHOULD BE CAPPED?

A. The basic business service rates that should be capped are single and multiple line business rates, PBX and Centrex charges, and the rates for special access services.

Q. HOW LONG SHOULD THIS TEMPORARY PRICE CAP REGIME LAST?

A. CenturyLink anticipates that synergies will only be fully recognized over a three to five year period following closing of the merger.[30] I therefore recommend that

[30] Direct Testimony of Jeff Glover, p. 6.

there be firm price caps for up to three years after the consummation of the merger. In fairness to the Company, any longer term price cap, such as five years, should be adjusted to an inflation index such as the Gross Domestic Product ("GDP") deflator.

Q. IS YOUR RECOMMENDATION TO PLACE A LIMITED PRICE CAP ON BASIC BUSINESS RATES FOLLOWING THE MERGER A DEPARTURE FROM THE COMMISSION'S CURRENT REGULATORY SCHEME FOR QWEST?

A. The current regulatory scheme for Qwest was established by the Commission in Decision No. 68604 in 2006 when it approved the present Price Cap Plan. That decision divided Qwest's retail services into three baskets. Basket 1, consisting of basic residential services, was subject to a hard cap. Basket 2, consisting of basic business services, was subject to increases up to 25 percent annually. All remaining retail services in Basket 3 were freed from any price regulation. The business rates which I have proposed to cap are included in Baskets 2 and 3. My recommendation temporarily suspends the pricing flexibility provisions in the Price Cap Plan for only these services. This limited suspension, however, is necessary until the pressure to increase rates on business services to cover the merger-related costs passes. Absent such a suspension of pricing flexibility, business customers such as DoD/FEA cannot conclude that they will suffer no harm as a result of the merger. That is because Qwest has the incentive to use its pricing flexibility to recover integration costs from business customers long before they enjoy savings from the alleged synergies. Clearly, the Commission in 2006 could not have envisioned such a major change in Qwest's corporate status and its financial needs. It is unrealistic to ignore this effect of the merger by allowing Qwest to continue to enjoy its current broad pricing flexibility for business services.

I am not suggesting re-regulation. I am only suggesting a condition of approval that will ensure that end-users of the merged company's services will be no worse off for the merger having been consummated. As noted earlier, the absence of harm to the public is a necessary requirement to a finding that the transaction is in the public interest. My proposal is for temporary price caps on only a handful of basic services, not a regulation of all rates. It is intended to cover the short period during which the pressure for increased revenue will be most forceful.

SERVICE QUALITY CONCERNS

Q. WHY ARE YOU CONCERNED ABOUT THE SERVICE QUALITY RESULTING FROM THIS TRANSACTION?

A. As noted earlier in my testimony, several recent large wireline acquisitions have resulted in severe service quality degradation. I am concerned that this pattern not be repeated in Arizona following the acquisition of Qwest by CenturyLink. This concern is amplified by the service quality indicators published by the Federal Communications Commission ("FCC") that are recorded in DoD/FEA Exhibit 4 attached to this testimony. In every case but one, CenturyLink scores no better or worse than Qwest, suggesting that its standards of service are not as high as those of Qwest.

But even within Qwest, Arizona is an outlier. Large and mid-sized local exchange carriers ("LECs") submit the number of trouble reports per month per 100 lines to the FCC on an annual basis under the Automated Reporting Management Information System ("ARMIS"). This statistic includes both initial and repeat troubles on both residence and business lines. For 2009, Qwest experienced an aggregate average of 0.98 trouble reports per 100 lines per month for its 15 study areas. For Arizona, however, Qwest noted 1.31 trouble reports per 100 lines per month, which was the highest of all of the Company's 15 study areas.[31] The

[31] "Total Trouble Reports per Month per 100 Lines (Includes Initial and Repeat Trouble Reports) for Large ILEC Study Areas, Business & Residence", 2009, p. 1.

ARMIS aggregate CenturyTel and Embarq (now part of CenturyLink) measures are even worse, at 1.56 and 1.65 respectively.[32]

These comparisons do not bode well for the service quality that can be expected in Arizona following the transfer of Qwest to CenturyLink ownership. That service quality could decline further, for two reasons.

The first reason has already been noted: the pressure to finance the implementation of the merger. While revenue enhancement may be one source of the funds for the merger implementation, another source could be cost cutting in the form of reduced resources, including capital investment and manpower devoted to plant maintenance and customer service. Obviously, this kind of cost cutting would lead to a deterioration of service performance.

The other reason for concern is the incompatibility of the Qwest and CenturyLink operating support systems. To achieve the promised synergies, CenturyLink will have to integrate its protocols and IT systems with those of Qwest. As noted in the earlier quotation from the Company's 10-Q report (pages 10-11), CenturyLink has conceded that this integration could pose severe difficulties. Past experience has demonstrated that these difficulties can result in degraded service performance and excessive costs.

Q. THE APPLICANTS STATE EMPHATICALLY THAT QWEST WILL CONTINUE TO OPERATE AS IT DOES NOW, SO WHY ARE YOU CONCERNED?

A. While the corporate identity of Qwest may continue,[33] the Applicants' claimed network and operational synergies can only be realized through the integration of Qwest's management and operations support systems with those of CenturyLink. That means that Qwest or CenturyLink will eventually have to cut all protocols

[32] "Total Trouble Reports per Month per 100 Lines (Includes Initial and Repeat Trouble Reports) for Mid-Sized ILEC Study Areas, Business & Residence", 2009, p. 5.
[33] Direct Testimony of Kristen McMillan, pp. 5-6.

over to a common format. As I have noted, in previous cases this cutover has proved to be difficult, costly and highly disruptive to both retail and wholesale customers.

For these reasons, it is important for the Arizona Commission to maintain close surveillance over CenturyLink's service performance. To be a deterrent against service degradation, the Commission should monitor the merged company's service performance and be prepared to react quickly, if need be by imposing sanctions if service quality deteriorates.

Q. ARE THERE CURRENTLY SERVICE QUALITY STANDARDS FOR QWEST?

A. Yes. Qwest's tariff contains a "Service Quality Plan" that establishes standards for service interruptions, held orders, out-of-service clearances, and business and repair office response times. It also establishes quarterly reporting requirements, construction standards and minimum service availabilities. Importantly, it enforces these standards with bill credits and monetary penalties and offsets for each of these metrics. For example, the 2006 Plan provides that if a Qwest wire center fails to clear at least 50 percent of its out-of-service reports in less than 24 hours, Qwest is penalized $4,000 per day as long as that condition prevails. This penalty drops to $2,000 per day if the 24-hour clearances are between 50 and 70 percent, and to $1,000 if the clearances are between 70 and 80 percent. But if Qwest can clear over 90 percent of its trouble reports in 24 hours, it receives an offset, or credit, of $1,000 per day to apply against other penalties. This offset increases to $2,000 for clearances over 90 percent and to $4,000 if it can clear more than 95 percent of its trouble reports in 24 hours.

The Price Cap Plan of 2006 provided further enhancements to this system of penalties and offsets.

Q. IS THIS SERVICE QUALITY PLAN ADEQUATE FOR PURPOSES OF MAINTAINING HIGH SERVICE QUALITY?

A. Yes. However, as part of its order approving the merger, the Commission should state explicitly that the current Qwest Service Quality Plan continues to apply to the merged company. With that proviso, I believe the Plan is adequate. However, there are two further enhancements that probably should be made. First, the reporting should be accelerated from quarterly to monthly. The present arrangement builds in a delay of several months between the time the service performance falls below any standard and the time that failure is known to the Commission. The increased frequency of reports would provide the Commission with more current notice of the state of the merged company's service. My recommendation imposes no hardship on the company because it already records the metrics on a monthly basis.

Second, the penalties and offsets should be cleared quarterly instead of annually. The present plan would allow Qwest's service to decline for an entire year before the Company experiences any monetary consequence. A more timely imposition of penalties and offsets would provide the Commission more immediate control and would increase the sense of urgency for the company to address declining service quality if it should occur.

These two recommendations should apply for a period of three to five years to cover the duration of the management and operational integration.

OTHER CONCERNS

Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING THIS MERGER?

A. Yes. My concern relates specifically to government services. Included in the "risks" section of CenturyLink's second quarter 2010 SEC Form 10-Q is the following statement:

> We may be unable to obtain security clearances necessary to perform certain Qwest government contracts. Certain Qwest legal entities and officers have security clearances required for Qwest's performance of customer contracts with various government entities. Following the merger, it may be necessary for us to obtain comparable security clearances. If we or our officers are unable to qualify for such security clearances, we may not be able to continue to perform such contracts.[34]

Q. IS THERE ANYTHING THE COMMISSION CAN DO TO ADDRESS THIS CONCERN?

A. The issue of security clearances is a possible negative factor associated with the merger over which the Commission has little control. Possibly the Commission could require that as a condition of approval there be no personnel changes that would jeopardize government contracts until all of the affected personnel have the required clearances.

SUMMARY OF RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. In this testimony, I have recommended that, as conditions of approval of the merger:

- The Commission impose either a firm three year cap, or a five year inflation-adjusted cap, on single and multiple-line business rates, PBX and Centrex rates, and the rates for special access service.
- The Commission extend Qwest's Service Quality Plan to the new company.
- The reporting under the Service Quality Plan be accelerated from quarterly to monthly.
- The clearing of penalties and offsets should occur quarterly rather than annually.

[34] CENTURYTEL INC, Form 10-Q, filed August 6, 2010, p. 34. See DoD/FEA Exhibit 3.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes. It does, although I should note that there are some aspects of this transaction that I have not addressed. These include such issues as the likelihood of cost savings from the transaction, the quality and extent of the merged company's broadband services, the extent to which past obligations will affect the new entity, and the wholesale market policies and the interfaces between the Company and its CLEC competitors. My silence on such issues does not mean that they are not important to DoD/FEA or that DoD/FEA will not address them later in this proceeding. [35]

[35] I should also note that the discovery process is not completed. It is possible that further responses may require supplemental testimony.

Charles W. King

Experience

Snavely King Majoros O'Connor & Lee, Inc. Washington, DC

President (1989 to Present)
Vice President (1970 - 1989)

Mr. King, a founder of the firm and acknowledged authority on regulatory economics, brings over thirty years of experience in economic consulting to his direction of the firm's work in transportation, utility and telecommunications economics.

Mr. King has appeared as an expert witness on over 300 separate occasions before more than thirty state and nine U.S. and Canadian federal regulatory agencies, presenting testimony on rate base calculations, rate of return, rate design, costing methodology, depreciation market forecasting, and ratemaking principles. Mr. King has also testified before House and Senate Committees on energy and telecommunications legislation pending before the U.S. Congress.

In telecommunications, Mr. King has testified before the Federal Communications Commission on a number of policy issues, service authorization, competitive impacts, video dialtone, and prescription of interstate depreciation rates. Before state regulatory bodies, he has presented testimony in proceedings on intrastate rates, costs earnings and depreciation.

Mr. King has testified in electric, gas and water utility cases on virtually every aspect of regulation, including cost of capital, revenue requirements, depreciation, cost allocation and rate design. Mr. King is one of the nation's leading authorities on utility depreciation practices, having testified on this subject in several dozen cases before state regulatory bodies.

In addition to his appearances as a witness in judicial and administrative proceedings, Mr. King has negotiated settlements among private parties and between private parties and regulatory offices. Mr. King also has directed depreciation studies, investment cost benefit analyses, demand forecasts, cost allocation studies and antitrust damage calculations. Mr. King directed analyses of the prices of services under Federal Government's FTS2000 long distance system.

In Canada, Mr. King designed and directed an extended inquiry into the principles and procedures for regulating the telecommunication carriers subject to the jurisdiction of the Canadian Transport Commission. He also was the principal investigator in the Canadian Transport Commission's comprehensive review of rail costing procedures.

EBS Management Consultants, Inc., Washington, DC

Director, Economic Development Department (1968-1970)

Mr. King organized and directed a five-person staff of economists performing research, evaluation, and planning relating to economic development of depressed areas and communities within the U.S. Most of this work was on behalf of federal, state, and municipal agencies responsible for community or regional economic development.

Principal Consultant (1966-1968)

Mr. King conducted research on a broad range of economic topics, including transportation, regional economic development, communications, and physical distribution.

W.B. Saunders & Company, Inc., Washington, DC

Staff Economist (1962-1966)

For this economic consulting firm, which later merged with EBS Management Consultants, Inc., Mr. King engaged in numerous research efforts relating primarily to economic development and transportation.

U.S. Bureau of the Budget, Office of Statistical Standards

Analytical Statistician (1961-1962)

Mr. King was responsible for the review of all federal statistical and data-gathering programs relating to transportation.

Education

Washington & Lee University, B.A. in Economics

The George Washington University, M.A. in Government Economic Policy

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
AK	Exxon USA	P-89-1,2	Trans Alaska Pipeline System	October 18, 1990
AZ	Arizona Corporation Commission	U-1345-I	Arizona Public Service Co.	December 16, 1980
	Arizona Retailers Association	U-1345-II	Arizona Public Service Co.	January 15, 1981
CA	California Retailers Association	57666	Pacific Gas & Electric Co.	March 6, 1978
	California Retailers Association	57602	Southern California Edison	April 25, 1978
	California Retailers Association	59351	Pacific Gas & Electric Co.	June 12, 1981
	California Retailers & California Manufacturers	59351	Southern California Edison	May 20, 1982
	California Retailers Association	61138	Southern California Edison	May 28, 1982
CO	U. S. Department of Defense	I&S 1100	Colorado Springs (Elec)	June 14, 1977
	J.C. Penney Company	5693	All Electric Utilities	March 8, 1978
	U.S. Department of Defense	I&S 1339	Colorado Springs DPU (Gas)	October 18, 1979
	U. S. Department of Defense	I&S 1540	Colorado Springs DPU (Gas)	February 9, 1982
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Gas)	September 30, 1984
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Elec)	June 6, 1985
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Elec)	May 19, 1986
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Elec)	June 30, 1987
CT	Retailers Merchants Association	72-0204	Various Electric Utilities	July 22, 1976
	Division of Consumer Counsel	76-0604,5	CL&P and HELCO	November 10, 1977
	Public Utilities Control Auto	78-0303	Bridgeport Hydraulic Co.	(none)
	Division of Consumer Counsel	80-0403,4	CL&P and HELCO	August 11, 1980
	Division of Consumer Counsel	81-0413	United Illuminating Company	July 20, 1981
	Division of Consumer Counsel	81-0602,4	CL&P and HELCO	October 5, 1981
	Division of Consumer Counsel	82-0701	CL&P	September 28, 1982
	Coalition of Hotels, Alloys & Retailers	85-10-22	CL&P	(none)
	Coalition of Hotels, Alloys & Retailers	87-07-01	CL&P	April 25, 1988

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
DC	D.C. People's Counsel	685	Potomac Electric Power Company	March 6, 1978
	D.C. People's Counsel	715	Potomac Electric Power Company	(none)
	D.C. People's Counsel	725	Potomac Electric Power Company	April 4, 1980
	D.C. People's Counsel	737	Potomac Electric Power Company	January 1, 1981
	Washington Metro Area Transit Authority	748	Potomac Electric Power Company	June 26, 1981
	Washington Metro Area Transit Authority	758	Potomac Electric Power Company	December 15, 1981
	D.C. People's Counsel	785	Potomac Electric Power Company	September 21, 1982
	Washington Metro Area Transit Authority	759	Potomac Electric Power Company	March 29, 1984
	D.C. People's Counsel	685 Remand	Potomac Electric Power Company	June 10, 1985
	D.C. People's Counsel	905	Potomac Electric Power Company	August 20, 1991
	D.C. People's Counsel	912	Potomac Electric Power Company	May 7, 1992
	D.C. People's Counsel	834, III	Potomac Electric Power Company	May 22, 1992
	D.C. People's Counsel	917	Potomac Electric Power Company	September 24, 1992
	D.C. People's Counsel	922	Washington Gas Light Company	June 15, 1993
	D.C. People's Counsel	929	Potomac Electric Power Company	December 16, 1993
	D.C. People's Counsel	934	Washington Gas Light Company	Filed April 22, 1994
	D.C. People's Counsel	939	Potomac Electric Power Company	March 16, 1995
	D.C. People's Counsel	917	Potomac Electric Power Company	April 16, 1995
	D.C. People's Counsel	951	Potomac Electric Power Company	February 20, 1997
	D.C. People's Counsel	945	Potomac Electric Power Company	September 29, 1999
	D.C. People's Counsel	847	Washington Gas Light Company	June 27, 2001
	D.C. People's Counsel	989	Washington Gas Light Company	May 22, 2002
	D.C. People's Counsel	1016	Washington Gas Light Company	September 23, 2003
	D.C. People's Counsel	1053	Potomac Electric Power Company	June 27, 2007
DE	Delaware PSC Staff	94-164	Artesian Water Company	Filed March 10, 1995
	Delaware PSC Staff	94-149	Wilmington Suburban Water Company	March 10, 1995
	Delaware PSC Staff	04-152	Tidewater Utilities Company	Filed July 26, 2004
FL	Florida Retail Federation	790593-EU	All Electric Utilities	March 5, 1981
	Florida Retail Federation	810002-EU	Florida Power and Light Company	July 23, 1981
	Florida Retail Federation	820097-EU	Florida Power and Light Company	September 22, 1982
	Florida Retail Federation	820097-EU	Florida Power and Light Company	April 11, 1983
	Florida Retail Federation	830012-EU	Tampa Electric Company	August 19, 1983
	Florida Retail Federation	830465-EI	Florida Power and Light Company	April 19, 1984
	Florida Retail Federation	830465-EI	Tampa Electric Company	(none)

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
GA	Georgia Retail Federation	3270-U	Georgia Power Company	September 3, 1981
	Georgia Public Service Commission	4007-U	Georgia Power Company	August 21, 1991
	Georgia Public Service Commission	4384-U	All Electric Utilities	August 1, 1993
	Georgia Public Service Commission	4755-U	Georgia Power Company	January 25, 1994
	Georgia Public Service Commission	4697-U	All Utilities	May 10, 1994
	Georgia Public Service Commission	9355-U	Georgia Power Company	November 4, 1998
	Georgia Public Service Commission	14000-U	Georgia Power Company	October 23, 2001
	Georgia Public Service Commission	14618-U	Savannah Electric & Power Company	March 27, 2002
	Georgia Public Service Commission	14311-U	Atlanta Gas Light Company	April 8, 2002
	Georgia Public Service Commission	17066-U	Georgia Power Company	July 31, 2003
	Georgia Public Service Commission	18300-U	Georgia Power Company	October 26, 2004
	Georgia Public Service Commission	18638-U	Atlanta Gas Light Company	March 14, 2005
	Georgia Public Service Commission	19758-U	Savannah Electric & Power Company	March 29, 2005
	Georgia Public Service Commission	20298-U	Atmos Energy Corp.	October 11, 2005
	Georgia Public Service Commission	25060-U	Georgia Power Company	Filed October 22, 2007
	Georgia Public Service Commission	27163	Atmos Energy Corp.	August 16, 2008
HI	Public Utilities Department	2793	All Electric Utilities	February 14, 1978
	Hawaii Consumer Advocate	4536	Hawaiian Electric Company	February 1, 1983
IL	Illinois Retail Merchants Association ("IRMA"/ Chicago Bldg. Mgrs. Association ("CBMA")	76-0698	Commonwealth Edison	June 22, 1977
	IRMA/CBMA	76-0568	All Electric Utilities	(none)
	IRMA/CBMA	80-0546	Commonwealth Edison	March 5, 1981
	IRMA/CBMA	82-0026	Commonwealth Edison	July 22, 1982
	IRMA/CBMA	83-0537	Commonwealth Edison	March 19, 1984
	IRMA/CBMA	87-0427	Commonwealth Edison	March/April 22, 1988
	IRMA/CBMA	90-0169	Commonwealth Edison	October 29, 1990
	City of O'Fallon, IL	02-0690	Illinois-American Water Company	Filed Feb.5, Apr.11,2003
IN	Indiana Retail Council	35780-S2	N. Ind. Public Service co.	June 1, 1980
	Indiana Retail Council	35780-S1	Public Service of Indiana	October 15, 1980
	Indiana Retail Council	36318	Public Service of Indiana	May 4, 1982
KS	J.C. Penney Company	115,379-U	All Kansas Utilities	January 22, 1981

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
KY	Seven Kentucky Retailers	7310	Louisville Gas & Electric Co.	April 25, 1979
KY	Attorney General of Kentucky	2002-145	Columbia Gas of Kentucky	Filed August 8, 2002
KY	Attorney General of Kentucky	2003-252	Union Heat Light & Power Co.	September 30, 2003
KY	Attorney General of Kentucky	2004-67	Delta Gas Company	August 18, 2004
KY	Attorney General of Kentucky	2006-00646	Atmos Energy Corp.	Filed April 27, 2007
KY	Attorney General of Kentucky	2007-00008	Columbia Gas of Kentucky	Filed June 12, 2007
KY	Attorney General of Kentucky	2007-00089	Delta Gas Company	Filed August 14, 2007
MA	Coalition of Municipalities	20279	Western Massachusetts Electric	March 19, 1980
MA	Coalition of Municipalities	557/558	Western Massachusetts Electric	May 14, 1981
MA	Coalition of Municipalities	957	Western Massachusetts Electric	March 9, 1982
MA	Coalition of Municipalities	1300	Western Massachusetts Electric	January 1, 1983
MA	Coalition of Municipalities	85-270	Western Massachusetts Electric	March 26, 1986
MD	Maryland People's Counsel	6977	Washington Gas & Light Company	September 17, 1976
MD	Maryland People's Counsel	6814	Potomac Electric Power Company	
MD	Maryland People's Counsel	6807	All Electric Utilities	September 1, 1977
MD	Maryland People's Counsel	6882	Baltimore Gas & Electric Company	(none)
MD	Maryland People's Counsel	6985	Baltimore Gas & Electric Company	September 28, 1976
MD	Maryland People's Counsel	7070	Baltimore Gas & Electric Company	December 20, 1976
MD	Maryland People's Counsel	7149	Potomac Electric Power Company	April 18, 1978
MD	Maryland People's Counsel	7163	All Electric Utilities	January 17, 1979
MD	Maryland People's Counsel	7236	Delmarva Power & Light Company	October 23, 1978
MD	Retail Merchants of Baltimore	7397	Baltimore Gas & Electric Company	June 20, 1980
MD	Maryland People's Counsel	7427	Delmarva Power & Light Company	September 8, 1980
MD	Maryland People's Counsel	7574	Baltimore Gas & Electric Company	December 2, 1981
MD	Maryland People's Counsel	7597	Potomac Electric Power Company	February 18, 1982
MD	Organization of Consumer Justice	7604	Potomac Electric Power Company	April 20, 1982
MD	Maryland People's Counsel	7588	Baltimore Gas & Electric Company	October 19, 1982
MD	Maryland People's Counsel	7663	Potomac Electric Power Company	November 22, 1982
MD	Retail Merchants of Baltimore	7685	Baltimore Gas & Electric Company	April 12, 1983
MD	Genstar Stone Products, et al.	7878	Potomac Electric Power Company	December 9, 1985
MD	Industrial Intervenors	7878	Potomac Electric Power Company	June 28/July 1986
MD	Maryland People's Counsel	7983	Baltimore Gas & Electric Company	March 4, 1987
MD	Giant Foods, Inc.	8855	Baltimore Gas & Electric Company	January 8, 2003
MD	Maryland People's Counsel	9036	Baltimore Gas & Electric Company	September 29, 2005
MD	Maryland People's Counsel	9092	Potomac Electric Power Company	April 16, 2007
MD	Maryland People's Counsel	9093	Delmarva Power & Light Company	April 9, 2007
MD	Maryland People's Counsel	9104	Washington Gas & Light Company	August 23, 2007
MD	Maryland People's Counsel	9096	Baltimore Gas & Electric Company	September 24, 2007
MD	Maryland People's Counsel	9103	Washington Gas & Light Company	filed December 21, 2007
MD	Maryland People's Counsel	9159	Columbia Gas Company	January 6, 2009
MD	Maryland People's Counsel	9192	Delmarva Power & Light Company	September 25, 2009
MD	Maryland People's Counsel	9217	Potomac Electric Power Company	April 8, April 30 May 7, 2010

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State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
MI	General Services Administration	U-10102	Detroit Edison Company	March 22, 1993
	Michigan Attorney General	U-11722	Detroit Edison Company	November 6, 1998
	Michigan Attorney General	U-11772	Consumers Energy/Detroit Edison	November 16, 1998
	Michigan Attorney General	U-11495	Detroit Edison Company	December 8, 1999
	Michigan Attorney General	U-11956	Consumer Energy/Detroit Edison	December 15, 1999
	Michigan Attorney General	U-12505	Consumers Energy Company	September 7, 2000
	Michigan Attorney General	U-12478	Detroit Edison Company	October 5, 2000
	Michigan Attorney General	U-12639	Consumers Energy/Detroit Edison	July 18, 2001
	Michigan Attorney General	U-13000	Consumers Energy Company	January 29,2002
	Michigan Attorney General	U-13380	Consumers Energy Company	September 9, 2002
	Michigan Attorney General	U-13715	Consumers Energy Company	April 24, 2003
	Michigan Attorney General	U-13808	Detroit Edison Company	Dec 12, 2003; Jan 30, Mar 5, 04
	Michigan Attorney General	U-12999	Consumers Energy Company	March 10, 2004
	Michigan Attorney General	U-13898,9	Michigan Consolidated Gas Co.	August 23, 2004
	Michigan Attorney General	U-14201	Detroit Edison Company	Filed December 5, 2004'
	Michigan Attorney General	U-14274	Consumers Energy Company	Filed February 15, 2005
	Michigan Attorney General	U-14148	Consumers Energy Company	Filed March 2, 25, 2005
	Michigan Attorney General	U-14399	Detroit Edison Company	July 29, 2005
	Michigan Attorney General	U-14428	Detroit Edison Company	September 7, 2005
	Michigan Attorney General	U-14292	All Michigan Utilities	September 27, 2005
	Michigan Attorney General	U-13808-R	Detroit Edison Company	November 7, 2005
	Michigan Attorney General	U-14547	Consumers Energy Company	Nov.7, 2005; Mar. 22, 2006
	Michigan Attorney General	U-14701	Consumers Energy Company	March 21, 2006
	Michigan Attorney General	U-14526	Consumers Energy Company	April 11.2006
	Michigan Attorney General	U-14561	All Gas Distribution Utilities	June 1, 2006
	Michigan Attorney General	U-15002	Detroit Edison Company	December 8, 2006
	Michigan Attorney General/ABATE	U-15245	Consumers Energy Company	December 11, 2007
	Michigan Attorney General	U-15417	Detroit Edison Company	April 2, 2008
	Michigan Attorney General/ABATE	U-15244	Detroit Edison Company	July 15, 2008
	Michigan Attorney General/ABATE	U-15506	Consumers Energy Company	September 12, 2008
	Michigan Attorney General	U-15002-R	Detroit Edison Company	October 16, 2008
	Michigan Attorney General	U-15645	Consumers Energy Company	April 27, July 30, 2009
	Michigan Attorney General	U-15768	Detroit Edison Company	July 9, July 30, 2009
	Louisiana Pacific Corp.	U-15981	Wisconsin Electric Power Co.	Dec 22, 2009; Jan 22, 2010
MN	Minnesota Retail Federation	EOO2/6R-77-611	Northern States Power	1979
MO	Missouri Retailers Association	EO-78-161	Kansas City Power & Light Company	February 19, 1981
	Missouri Public Counsel	ER-2006-0315	Empire District Electric Company	September 14, 2006
	Missouri Public Counsel	GR-2007-0003	Ameren UE (Gas)	Filed December 15, 2006
	Missouri Public Counsel	ER-2007-0002	Ameren UE (Electric)	March 22, 2007
NC	North Carolina Merchants Association	E-100	All Electric Utilities	December 18, 1975

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State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
ND	North Dakota Public Service Commission	PU-400-00-521	Xcel Energy, Inc.	April 20, 2001
	North Dakota Public Service Commission	PU-399-01-186	Montana-Dakota Utilities (Electric)	February 25, 2002
	North Dakota Public Service Commission	PU-399-02-183	Montana-Dakota Utilities (Gas)	October 7, 2002
	North Dakota Public Service Commission	PU-399-02-183	Montana-Dakota Utilities (Gas Depr.)	Filed April 7, 2003
	North Dakota Public Service Commission	PU-399-03-296	Montana-Dakota Utilities (Electric)	Filed October 15, 2003
	North Dakota Public Service Commission	PU-04-97	Montana-Dakota Utilities (Gas)	Filed July 6, 2004
	North Dakota Public Service Commission	PU-06-525	Northern States Power (Gas)	Filed May 1, 2007
	North Dakota Public Service Commission	PU-07-776	Northern States Power (Electric)	June 25, 2008
	North Dakota Public Service Commission	PU-08-862	Otter Tail Power Company	April 6, 2009
NH	Business & Industry Association of N.H.	79-187-II	Public Service of N.H.	February 6, 1981
	Business & Industry Association of N.H.	80-260	Public Service of N.H.	February 5, 1981
	Business & Industry Association of N.H.	82-333	Public Service of N.H.	November 2, 1983
NJ	N.J. Retail Merchants Association	803-151	All New Jersey Utilities	March 31, 1981
	Department of Public Advocate	815-459	N.J. Natural Gas Company	(none)
	Resorts International Hotel, Inc.	8011-827	Atlantic City Sewerage Co.	(none)
	Dept. of Public Advocate	822-116	Atlantic City Electric Co.	August 11, 1982
	Dept. of Public Advocate	355-87	Elizabethtown Gas	June 9, 1987
	Dover Township Fire Chiefs	88-080967	Tom's River Water Company	February 22, 1989
NY	NY Council of Retail Merchants	26806	All Electric Utilities	February 3. 1976
	Metropolitan N.Y. Retail Council	27029	Consolidated Edison Company	(none)
	Metropolitan N.Y. Retail Council	27136	Long Island Lighting Company	July 1, 1977
	N.Y. Metro. Transit Authority	27353	Consolidated Edison Company	September 5, 1980
OH	Ohio Council of Retail Association	88-170-EL	Cleveland Elec. Illuminating	(none)
	Ohio Council of Retail Association	83-1529-EL	Cincinnati Gas & Electric	February 15, 1992
	Ohio Energy Group	08-936-EL-SSO	FirstEnergy Companies	Filed September 25, 2008

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State	Electric, Gas, Water Utility Cases			Date
	Client	Case		
		Case Number	Utility	
PA	Pennsylvania Retail Association	76-PRMD-7	All Electric Utilities	September 7, 1977
	Southeastern Pa. Transp. Authority	R-811626	Philadelphia Electric Company	December 11, 1981
	Eastern Penn Energy Users Group	R-822169	Penn. Power & Light Company	March/April 1983
	Eastern Penn Energy Association	R-842651	Penn. Power & Light Company	December 3, 1984
	Penn Business Utility User Group	R-850152	Philadelphia Electric Company	February 19, 1986
	Pennsylvania Office of Consumer Advocate	R-00016339	Pennsylvania-American Water Co.	September 19, 2001
	Pennsylvania Office of Public Advocate	R-2008-203269	Pennsylvania-American Water Co.	August 6, 2008; Sept.15, 2008
TN	Attorney General of Tennessee	07-00105	Atmos Energy Corp.	Filed August 21, 2007
	Attorney General of Tennessee	08-00039	Tennessee-American Water Co.	August 26, 2007
TX	Houston Retailers Association	5779	Houston Lighting Company	October 19, 1984
	Houston Retailers Association	6765	Houston Lighting Company	September 25, 1986
	Cities for Fair Utility Rates	8425/8431	Houston Lighting Company	April 25, 1989
UT	Div. Of Public Utilities Dept of Commerce	98-2035-33	Pacific Corp	Filed August 16, Sept 22, 1999
	Div. Of Public Utilities Dept of Commerce	05-057-T01	Questar Gas Company	May 17, 2006
	Div. Of Public Utilities Dept of Commerce	07-035-13	Rocky Mountain Power Co.	Filed October 15, 2007
VA	Consumer Congress of Virginia	19426	Virginia Electric Power Company	July 1, 1975
	Consumer Congress of Virginia	19960	Virginia Electric Power Company	September 19, 1978
	Va. Business Committee on Energy	PUE 7900012	Virginia Electric Power Company	February 25, 1981
	Virginia Pipe Trades Council	PUE 8900051	Old Dominion Electric Corp. &	October 31, 1989
WA	WA Attorney General - Public Counsel	UE-072300;UG-072301	Puget Sound Energy	Filed May 30, 2008
	WA Attorney General - Public Counsel	UE-080220	PacifiCorp	Filed August 15, 2008
	WA Attorney General - Public Counsel	UE-08416;UG-08417	Avista Utilities	September 19;October 10, 2008
WI	Wisconsin Merchants Federation	6630-ER-2	Wisconsin Electric Power Company	May 15, 1978

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State	Telecommunications Cases			Date
	Client	Case		
		Case Number	Utility	
AL	U.S. Department of Defense	24472	All Telephone Companies	June 14, 1995
AK	GCI Communications, Inc.	U-97-82,U-97-143	Alaska Communications Systems	Filed Feb 25, April 5, 2004
	GCI Communications, Inc.	U-05-46	Matanuska Telephone Association	October 28, 2005
AZ	Arizona Burglar & Fire Alarm Association	9981-E-	Mountain State Telephone	(none)
	Arizona Burglar & Fire Alarm Association	1051-80-64	Mountain State Telephone	
	Federal Executive Agencies	E-1051-88-146	Mountain State Telephone	(none)
	U.S. Department of Defense	T-01051B-99-0105	US WEST Communications	Filed July 26, Sept 8, 2000
CA	Western Burglar & Fire Alarm Association	59849	Pacific Telephone & Telegraph	March 25, 1981
	Western Burglar & Fire Alarm Association	5984cont.	Pacific Telephone & Telegraph	June 23, 1982
	Western Burglar & Fire Alarm Association	A83-01-22	Pacific Telephone & Telegraph	June 29, 1983
	Western Burglar & Fire Alarm Association	A83-02-02	General Telephone of California	January 17, 1984
	Western Burglar & Fire Alarm Association	A82-11-07	Pacific Telephone & Telegraph	Jan. 18, Oct. 31, Nov 28, 1984
	Western Burglar & Fire Alarm Association	A85-01-034	Pacific Telephone & Telegraph	June 4, 1985, October 2, 1986
	Western Burglar & Fire Alarm Association	A87-01-02	General Telephone of California	October 22, 1987
	Western Burglar & Fire Alarm Association	A88-07-17019	Pac. Bell Tel. & GTE of CA.	January 23, 1989
	California Cellular Resellers	A.88-11-1040	All Cellular Carriers	August 11, 1989
	Federal Executive Agencies	1.87-11-033	All Telephone Companies	March 6-7, 1991
	California Cellular Resellers	1.88-11-040	All Cellular Carriers	August 19, 1991
	Cellular Services, Inc.	1.88-11-040	All Cellular Carriers	October 3, 1991
	Federal Executive Agencies	A92-05-004	Pacific Telephone & Telegraph	June 9, 1993
CO	U.S. Department of Defense	I&S 717	Mountain Bell Telephone Company	1972
	U.S. Department of Defense	I&S 1700	Mountain Bell Telephone Company	(none)
	U.S. Department of Defense	Appl.	Mountain Bell Telephone Company	September 18, 1986
	U.S. Department of Defense	I&S 1766	Mountain Bell Telephone Company	November 28, 1988
	Colorado Municipal League	Appl 36883	Mountain Bell Telephone Company	December 13, 1988
	U.S. Department of Defense	I&S 891-O82T	U.S. West Communications	February 21, 1990
	U.S. Department of Defense	905-544T	U.S. West Communications	July 17, 1991
	U.S. Department of Defense	90A-665T	U.S. West Communications	October 23, 1991
	U.S. Department of Defense	92M-039T	U.S. West Communications	February 24-24, 1992
	U.S. Department of Defense	92S-229T	U.S. West Communications	July 30-31, 1992
	U.S. Department of Defense	90A-665T	U.S. West Communications	November 6, 1996
	AT&T	96S-331T	U.S. West Communications	April 17, 1997

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Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date
	Client	Case		
		Case Number	Utility	
CT	Connecticut Consumer Counsel	770526	Southern New England Telephone Co.	November 10, 1977
	CT Cellular Resellers Assn.	89-12-05	Southern New England Telephone Co.	(none)
	CT Cellular Resellers Coalition	94-03-27	Springwich Cellular/Bell Atlantic	May 16, June, 1994
	AT&T	AT&T/SNET Arbitration	Southern New England Telephone Co.	Filed October 28, 1996
	Connecticut Consumer Counsel	96-04-07	Southern New England Telephone Co.	February 10,1998
	Connecticut Consumer Counsel	00-07-17	Southern New England Telephone Co.	December 5, 2000
DC	D.C. People's Counsel	729	Chesapeake & Potomac Tel. Co.	May 13, 1980
	D.C. People's Counsel	798	Chesapeake & Potomac Tel. Co.	July 18, 1983
	General Services Administration	827	Chesapeake & Potomac Tel. Co.	May 7, 1985
	General Services Administration	854	Chesapeake & Potomac Tel. Co.	April 16, 1987
	General Services Administration	850	Chesapeake & Potomac Tel. Co.	October 7, 1991
	General Services Administration	926	Chesapeake & Potomac Tel. Co.	October 7, 1993
DE	Public Service Commission	Depr.Repre	Diamond State Telephone Co.	April 1, 1985
	Federal Executive Agencies	86-20	Diamond State Telephone Co.	July 31, 1987
	Public Service Commission	Depr.Repre	Diamond State Telephone Co.	March 8, 1988
FL	GTE Sprint Communications Company	720536-TP	All Telephone Companies	September 12, 1983
	Office of Public Counsel	Depr.Repre	Southern Bell	July 30, 1986
	Federal Executive Agencies	880069-TL	Southern Bell	July 21, 1988
	Federal Executive Agencies	880069-TL	Southern Bell	November 30, 1990
	Federal Executive Agencies	880069-TL	Southern Bell	February 11, 1992
GA	Georgia Attorney General	3893-U	Southern Bell Telephone Co.	January 8, 1990
	Federal Executive Agencies	3905-U	Southern Bell Telephone Co.	June 12, 1990
	Federal Executive Agencies	3987-U	Southern Bell Telephone Co.	February 13, 1992
	Georgia Public Service Commission	4018-U	Southern Bell Telephone Co.	Jan 14, Feb 10, 1993
HI	Hawaii Public Utility Commission	1871	Hawaiian Telephone Company	July 8, 1971
	Four Hawaii Counties	4588	Hawaiian Telephone Company	December 15, 1983
	Department of Defense	7579	Hawaiian Telephone Company	April 26, 1994
	Department of Defense	94-0093	Oceanic Communications	March 13, 1995
	Department of Defense	7702	All Communications Carriers	June 2, 1995
	Department of Defense	94-0298	GTE Hawaiian Telephone Company	May 7, 1996
	Department of Defense	7720	Verizon-Hawaii	November 15, 2000

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Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date
	Client	Case		
		Case Number	Utility	
ID	U.S. Department of Energy	U-1000-63	Mountain Bell Telephone Co.	May 16, 1983
	U.S. Department of Energy	U-1000-70	Mountain Bell Telephone Co.	March 6, 1984
IL	Illinois Alarm Companies	79-0143	Illinois Bell Telephone	September 26, 1979
	Attorney General of Illinois	81-0478	Illinois Bell Telephone	December 28, 1981
	GTE Sprint Communications Co.	83-0142	All Telephone Companies	August 4, 1983
	Federal Executive Agencies	89-0033	Illinois Bell Telephone	June 12, 1989
	Federal Executive Agencies	09-0268	Verizon-Frontier Sale	Oct.20, Dec.14, 2009
KS	State Corporation Commission	Depr. Repr.	Southwestern Bell	May 12-14, 1986
	Federal Executive Agencies	166.856-U	Southwestern Bell	November 7, 1989
	Federal Executive Agencies	190, 492	All Telephone Companies	November 4, 1994
KY	Kentucky Cable Telecommunications Assn.	2000-414	Blue Grass Energy Cooperative	January 11, 2001
	Kentucky Cable Telecommunications Assn.	2000-39	Cumberland Valley Electric, Inc.	January 11, 2001
MD	Maryland People's Counsel	6813	C&P Telephone Company	1975
	Maryland People's Counsel	6881	C&P Telephone Company	December 17, 1975
	Maryland People's Counsel	7025	C&P Telephone Company	March 15, 1975
	Maryland People's Counsel	7467	C&P Telephone Company	October 20, 1981
	Federal Executive Agencies	7851	C&P Telephone Company	March 20, 1985
	Federal Executive Agencies	8106	C&P Telephone Company	May 9, 1988
	Federal Executive Agencies	8274	C&P Telephone Company	August 2, 1990
MI	Michigan Attorney General	U-8911	Michigan Bell Telephone Co.	November 7, 1988
	Michigan Attorney General	U-9553	AT&T Communications/MCI	December 4, 1990
MN	GTE Sprint Communications Co.	83-102-HC	All Telephone Companies	August 5, 1983
	U.S. Department of Defense	87-021-BC	Northwest Bell Telephone Co.	(none)

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Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date
	Client	Case		
		Case Number	Utility	
MO	GTE Sprint Communications Co.	TR83-253	Southwestern Bell Tel. Co.	September 5, 1983
	Federal Executive Agencies	TC-89-14	Southwestern Bell Tel. Co.	(none)
	Federal Executive Agencies	TO-89-56	Southwestern Bell Tel. Co.	November 7, 1990
MS	Federal Executive Agencies	U-5453	South Central Bell Tel. Co.	May 15, 1990
NJ	Department of Public Advocate	Depr.Repr.	N.J. Bell Telephone Company	Mar-79
	Department of Public Advocate	815-458	N.J. Bell Telephone Company	October 15, 1981
	Department of Public Advocate	Depr.Repr.	N.J. Bell Telephone Company	March 1, 1982
	Department of Public Advocate	Depr.Repr.	N.J. Bell Telephone Company	February 1, 1985
	Department of Public Advocate	T092030358	N.J. Bell Telephone Company	September 30, 1992
	Department of Public Advocate	TMO05080739	United Telephone Co. of New Jersey	January 5,2006
NM	New Mexico Corporation Commission	1032	Mountain Bell Telephone Co.	November 14, 1983
	New Mexico Corporation Commission	86-151-TC	General Telephone of Southwest	February 5, 1987
NV	Prime Cable of Las Vegas	95-8034/8035	Central Telephone - NV	Filed November 22, 1995
	Prime Cable of Las Vegas	96-9035	Sprint/Centel, Nevada Bell	June 2, 1997
NY	Holmes Protection, Inc.	27350	New York Telephone Company	October 17, 1978
	Holmes Protection, Inc.	27469	New York Telephone Company	May 17, 1979
	5 Alarm Companies	27710	New York Telephone Company	July 24, 1980
	GTE Sprint Communications Co.	28425	All Telephone Companies	July 8, 1983
PA	City of Philadelphia	R-832316	Pennsylvania Bell Telephone	September 20, 1983
SC	Office of Consumer Advocate	Depr.Repr.	Southern Bell	July 1, 1986
	Office of Consumer Advocate	86-511-C	Southern Bell	December 11, 1986
	Office of Consumer Advocate	86-541-C	General Telephone of South	April 8, 1987
	Office of Consumer Advocate	Depr.Repr.	Southern Bell	July 10, 1989
	Office of Consumer Advocate	89-180-C	ALLTEL of South Carolina	September 26, 1989
	U.S. Department of Defense	2009-220-C	Verizon/Frontier Communications	August 27, 2009

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Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date
	Client	Case		
		Case Number	Utility	
TX	U.S. Department of Defense	8585/8218	Southwestern Bell Telephone Co.	(none)
VA	U.S. Dept. Of Defense, GSA, et	19696	C&P Telephone Company	October 6, 1976
	Federal Executive Agencies	PUC 890014	All Telephone Companies	February 13, 1989
VI	V.I. Department of Commerce	205	Virgin Islands Telephone Co.	April 29, 1980
	V.I. Public Service Commission	341	Virgin Islands Telephone Co.	March 20, 1991
WA	U.S. Department of Defense	U-72-39	Pacific Northwest Bell	1973
	U.S. Department of Defense	U-87-796-T	Pacific Northwest Bell	December 20, 1983
	U.S. Department of Defense	U-88-20524	Pacific Northwest Bell	November 8, 1988
	U.S. Department of Defense	U-89-2698-F	US West Communications	November 28, 1989
	WA Attorney General/TRACER	UT-940641	US West Communications	Filed October 14, 1994
	U.S. Department of Defense	UT-941464	US West Communications	June 22, 1995
	U.S. Department of Defense		US West Communications	January 22, 1996
	WA Attorney General/TRACER	UT-951425	US West Communications	Filed June 23, 1997
	WA Attorney General/TRACER	UT-961632	GTE Northwest, Inc	July 29, 1997
	U.S. Department of Defense	UT-021120	Qwest Communications	May 22, 2003
	WA Attorney General/WeBTEC/AARP	UT-040788	Verizon Northwest, Inc.	August 12, 2004
	WA Attorney General	UT-040520	Verizon Northwest, Inc.	February 2, 2005
	WA Attorney General	UT-050814	Verizon - MCI Merger	November 2, 2005
	U.S. Department of Defense	UT-090842	Verizon-Frontier Sale	Nov.3,2009;Jan 28, 2010
WV	U.S. Department of Defense	09-0871-T-PC	Verizon-Frontier Sale	November 16, 2009
WI	GTE Sprint	6720-TR-38	All Telephone Companies	October 20, 1983
	Wisconsin Consumers Utility Board	2055-TR-102	CenturyTel of Central Wisconsin	June 26, 2002
	Wisconsin Consumers Utility Board	5846-TR-102	Telephone USA, LCC	June 26, 2002

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Appearances before Federal Regulatory Agencies

Client	Docket	Subject	Date
Federal Communications Commission			
Department of Defense	16020	Consat Rate of Return	1973
Airline Parties	16258	Bell System Rates	July 22, 1968
Airline Parties	18128	TELPAK	3/22, 10/15 1971, Feb. 22, 1972
National Data Corporation	19989	WATS	(none)
Press Wire Services	19919	Private Line Rates	(none)
Aeronautical Radio	20814	Private Line Rates	October 5, 1978
Department of Defense	20690	1,544 Mbps Service	January 30, 1979
State of Hawaii	21263	Interstate Separation	February 7, 1979
International Record Carriers	CC78-97	Telex/TWX Rates	March 6, 1980
ITT World Communications	CC84-633	Rate of Return	(none)
Aeronautical Radio	CC78-72	Access Line Charges	(none)
MCI	CC84-800	Rate of Return	(none)
Ind. Data Com. Mfg. Assn.	CC85-26	AT&T Accounting Plan	(none)
Tymnet, Inc.	ENF84-22	Packet Switching Costs	(none)
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 7/29/94
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 8/23/94
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 2/21/95
Nuclear Regulatory Commission			
Fauquier League for Environment Protection	50-328 50-329	Va. Electric Power Co.	1976
Postal Rate Commission			
Association of Third Class Mail Users	R71-1	Rates	1970
Dow Jones & Company	R72-1	Rates	1972
Dow Jones & Company	R74-1	Rates	September 13, 1974
Dow Jones & Company	MC76-2	Rate Structure	January 6, 1979
Dow Jones & Company	MC79-3	Rate Structure	September 12, 1979
Dow Jones & Company	R80-1	Rates	November 25, 1980
Warshawsky & Company	C82-1	Rate Structure	(none)
Dow Jones & Company	R84-1	Postal Costs	June 14, 1984
Dow Jones & Company	R87-1	Rate Structure Costs	November 2, 1987
Dow Jones & Company	R90-1	Rate Structure Costs	Sept 12, Oct 10, 1990
Dow Jones & Company	MC91-1	Pre-barcoding Discounts	November 19, 1991
Dow Jones & Company	MC91-3	Palletization Discounts	March 2, 1992

CHARLES W. KING
Appearances before Federal Regulatory Agencies

Client	Docket	Subject	Date
U.S. Congress			
National Retail Merchants Association	House/Senate Hearings	Electric Rate Reform Legislation	1976, 1977 & 1979
National Wireless Resellers Association	House Commerce Committee	Interconnection & Resale of Wireless Services	October 12, 1995
Federal Maritime Commission			
State of Hawaii	71-18	Ocean Shipping Rates	October-71
Foss Alaska Line	79-54	Barge Rate Increase	July 1979
Palmetto Shipping and Stevadoring	85-20	Vessel Charge Liability	October 27, 1986
Interstate Commerce Commission - Surface Transportation Board			
Western Coal Traffic League	Ex Parte 349	R.R. Rate Increase	May-76
Western Coal Traffic League	Ex Parte 357	R.R. Rate Increase	Oct-78
Western Coal Traffic League	Ex Parte 375 (Sub1)	R.R. Rate Increase	June 1, 1980
Arkansas Power & Light Co.	37276	Cost of Capital	(none)
Central Illinois Light Co.	37450	Cost of Capital	March 10, 1981
Western Coal Traffic League	Ex Parte 347	Costing Methods	(none)
Snavely King Majoros O'Connor & Lee, Inc.	Ex Parte 664	Cost of Capital	December 8, 2006
Williams Energy Services, Inc	Ex Parte 582, Sub 1	Rail Merger Guidelines	April 5, 2001
Civil Aeronautics Board			
Thomas Cook, Inc.	36595	Air Fare Deregulation	(none)
Copyright Royalty Tribunal			
Public Broadcasting Service	88-2-86CD	Television Valuation	(none)

CHARLES W. KING
Appearances before Federal Regulatory Agencies

Client	Docket	Subject	Date
Federal Energy Regulatory Commission			
Exxon USA	OR89-2-000	Pipeline Quality Bank	October 18, 1990
Consumer Advocates of DE,DC,OH,MD,NJ,PA,WV,VA	ER08-386-000	Electric Transmission Cost of Equity	March 26, 2008
Consumer Advocates of DE,DC,OH,MD,NJ,PA,WV	ER08-23-000	Electric Transmission Cost of Equity	May 21, 2008
Maryland Office of People's Counsel	ER08-686-01	Electric Transmission Cost of Equity	April 7, 2008; July 8, 2008,
Maryland Office of People's Counsel	ER08-1329	Electric Transmission Cost of Equity	August, 2008
Louisiana Public Service Commission	ER09-1224	Depreciation	March 2010
Maryland Office of People's Counsel	ER10-355	Electric Transmission Cost of Equity	December 22, 2010
Canadian Transport Commission			
Rail Costing Inquiry, 1967-1969 Telecommunications Costing Inquiry, 1972-1975			

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 16th day of August 2010.

CASE NO. 09-0871-T-PC

FRONTIER COMMUNICATIONS CORPORATION, CITIZENS TELECOMMUNICATIONS COMPANY OF WEST VIRGINIA dba FRONTIER COMMUNICATIONS OF WEST VIRGINIA, NEW COMMUNICATIONS HOLDINGS, INC., NEW COMMUNICATIONS ILEC HOLDINGS, INC., NEW COMMUNICATIONS ONLINE and LONG DISTANCE, INC., VERIZON WEST VIRGINIA INC., VERIZON LONG DISTANCE, LLC, and VERIZON ENTERPRISE SOLUTIONS, LLC.

Joint Petition for consent and approval of the transfer of Verizon's local exchange and long distance business in West Virginia to companies to be owned and controlled by Frontier Communications.

COMMISSION ORDER

The Commission (i) denies a request to reopen this matter, (ii) transfers the substance of the Petition to Reopen to a new casefile and (iii) affords FiberNet, LLC, (FiberNet) and Frontier West Virginia Inc., (Frontier WV) an opportunity to mediate their dispute.

BACKGROUND

On May 29, 2009, Frontier Communications Corporation, New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., New Communications Online and Long Distance, Inc., Verizon West Virginia Inc. (Verizon WV), Verizon Long Distance, LLC and Verizon Enterprise Solutions, LLC (together Applicants) jointly applied for approval of transactions to spin off substantially all Verizon wireline business in West Virginia and merge those entities with Frontier (Transaction). Joint Application.

The Commission subsequently received and granted requests to intervene from the Consumer Advocate Division (CAD), competing carriers including FiberNet, the Communications Workers of America (CWA) and the federal government.

On May 13, 2010, the Commission issued an Order approving the Transaction requested in the Joint Application, subject to a series of conditions designed to remediate concerns raised by the parties at hearing. The Commission also adopted two settlements between the Applicants and competing carriers that were attached and incorporated into the conditions listed in Appendix A to the Order.

On July 21, 2010, FiberNet filed a Petition to Reopen this matter citing a number of problems it experienced when attempting to obtain wholesale services through the Frontier WV operational support system (OSS). FiberNet asserted that the various problems have created delays in providing service to FiberNet customers and increased costs for FiberNet. FiberNet requested that the Commission reopen this matter and direct Frontier WV to provide an OSS that is functionally equivalent to the system provided by Verizon WV.

On July 23, 2010, the Commission directed Frontier WV to file a response to the FiberNet request to reopen this matter within ten days.

On July 29, 2010, CAD filed a letter in support of the FiberNet reopening request.

On July 30, 2010, Frontier WV filed an answer to the Petition to Reopen under seal. Frontier WV acknowledged some problems arising from the implementation of the OSS, but asserted that it has corrected most of the problems FiberNet listed in the Petition to Reopen. Having resolved the flaws listed by FiberNet, Frontier WV requested that the Commission deny the Petition to Reopen. Alternatively, Frontier WV recommended that the Commission transfer the Petition to Reopen to a separate proceeding because the sale closing has already occurred and establish a framework for an alternative dispute resolution including mediation.

On August 2, 2010, the CWA filed a letter supporting the FiberNet Petition to Reopen.

On August 4, 2010, Frontier WV filed a redacted version of its response. The redacted version only deleted the FiberNet specific statistical data contained in the original filing.

DISCUSSION

After review of the FiberNet petition and the Frontier WV response, the Commission concludes that the FiberNet allegations concern technical difficulties that appear to have developed after closing of the Verizon WV sale. Most of those difficulties appear to be specific to Fibernet and are best handled in a complaint proceeding. Additionally, as Frontier WV noted, the Verizon WV sale has now closed, and Verizon no longer owns its former operating subsidiary. Thus, the Commission will sever the allegations from the July 21, 2010 Petition to Reopen, transfer them to a separate complaint proceeding for further processing and deny the Petition to Reopen this matter.

In consideration of the FiberNet desire for swift resolution of this matter and the request from Frontier WV for an opportunity to mediate the dispute, the Commission will afford the parties an opportunity for mediation. Thus, the parties shall contact the Chief Administrative Law Judge (ALJ) at the earliest opportunity and no later than ten days from the entry of this Order to arrange for mediation if they are both willing to enter mediation. In the event that mediation resolves this dispute, the parties shall file a request to dismiss the new complaint. If the dispute remains unresolved, the Chief ALJ shall file a letter in the complaint proceeding informing the Commission that mediation was unsuccessful, and the Commission will continue to process the matter as a separate complaint proceeding. The parties are strongly encouraged to engage in earnest mediation in order to resolve their dispute. Commission Staff may participate in the mediation of this matter if they indicate a desire to do so to the Chief ALJ.

The Commission notes that a portion of the July 30, 2010 Frontier WV response remains under seal without a motion for a protective order from the Commission. The Commission will not seal the redacted material without a properly supported request for protective treatment. Thus, the Commission will release that material into the public file unless FiberNet files a properly supported protective treatment request within seven days of the entry of this Order.

FINDINGS OF FACT

1. FiberNet filed a Petition to Reopen this matter asserting numerous problems with the Frontier WV OSS that are allegedly harming its business and customers. Petition to Reopen.

2. The difficulties FiberNet alleged with the Frontier WV OSS appear to be specific to Fibernet. Id.

3. Frontier WV filed a response asserting that it has addressed most of the OSS problems FiberNet cited. July 30, 2010 Frontier WV Response.

4. Frontier WV filed a portion of its response under seal without a motion for a protective order. Id.

CONCLUSIONS OF LAW

1. It is reasonable to sever the substantive complaints in the FiberNet Petition to Reopen from this proceeding and transfer them to a new complaint case.

2. The Commission should offer mediation to the parties because FiberNet seeks an expeditious resolution and Frontier WV requested mediation.

3. It is reasonable to unseal the redacted portions of the July 30, 2010 Frontier WV response unless FiberNet files for protective treatment in seven days.

ORDER

IT IS THEREFORE ORDERED that the request to reopen this matter is denied.

IT IS FURTHER ORDERED that the substantive complaints contained in the Petition to Reopen are transferred to a new complaint case file. The Executive Secretary shall file copies of the July 21, 2010 Petition to Reopen, the July 30, 2010 Frontier WV response and a copy of this Order in the new case file.

IT IS FURTHER ORDERED that the Executive Secretary shall unseal the redacted portions of the July 30, 2010 Frontier WV response unless FiberNet files a properly supported request for a protective order within seven days of the entry of this Order.

IT IS FURTHER ORDERED that FiberNet and Frontier WV are afforded an opportunity to mediate their dispute regarding the Frontier OSS and should contact the Chief ALJ within ten days of the entry of this Order concerning their willingness to enter into mediation. The Chief ALJ shall advise the Commission by letter filed in the complaint proceeding in the event that mediation is unsuccessful or if the parties indicate that they are not willing to mediate this matter.

IT IS FURTHER ORDERED that on entry of this Order this matter shall be removed from the active docket of Commission cases.

IT IS FURTHER ORDERED that the Commission Executive Secretary shall serve a copy of this Order by electronic service on all parties requesting that service, on all other parties by First Class Mail and on both the Chief ALJ and Staff by hand delivery.

A True Copy, Teste: Sandra Squire

Sandra Squire
Executive Secretary

MJM/ldd
090871ci.wpd

CENTURYTEL INC (CTL)

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MONROE, LA, 71203
318-388-9000
www.centurytel.com

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 8/6/2010
Filed Period 6/30/2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10–Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1–7784

CenturyLink, Inc.
(Exact name of registrant as specified in its charter)

Louisiana (State or other jurisdiction of incorporation or organization)	72–0651161 (I.R.S. Employer Identification No.)

100 CenturyLink Drive, Monroe, Louisiana 71203
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (318) 388–9000

Former name, if changed since last report: CenturyTel, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S–T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non–accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b–2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non–accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b–2 of the Exchange Act). Yes [ ] No [X]

As of July 31, 2010, there were 301,445,975 shares of common stock outstanding.

PART II. OTHER INFORMATION

CenturyLink, Inc.

Item 1. Legal Proceedings.

See Note 11 to the financial statements included in Part I, Item 1, of this report.

Item 1A. Risk Factors.

Risk Factors

Any of the following risks could materially and adversely affect our business, financial condition, results of operations, liquidity or prospects. The risks described below are not the only risks facing us. Please be aware that additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also materially and adversely affect our business operations.

Risks Related to Our Business

If we continue to experience access line losses similar to the past several years, our revenues, earnings and cash flows may be adversely impacted.

Our business generates a substantial portion of its revenues by delivering voice and data services over access lines. We have experienced substantial access line losses over the past several years due to a number of factors, including increased competition and wireless and broadband substitution. We expect to continue to experience access line losses in our markets for an unforeseen period of time. Our inability to retain access lines could adversely impact our revenues, earnings and cash flow from operations.

Weakness in the economy and credit markets may adversely affect our future results of operations.

To date, we have not been materially impacted by recent weaknesses in the credit markets; however, these weaknesses may negatively impact our operations in the future if overall borrowing rates increase. In addition, if the economy and credit markets continue to remain weak, it may impact our ability to collect our receivables. This weakness may also cause our customers to reduce or terminate their receipt of service offerings from us. Economic weakness could also negatively affect our vendors. We cannot predict with certainty the impact to us of any further deterioration or weakness in the overall economy and credit markets.

We face competition, which we expect to intensify and which may reduce market share and lower profits.

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive. We face competition from (i) wireless telephone services, which is expected to increase as wireless providers continue to expand and improve their network coverage and offer enhanced services, (ii) cable television operators, competitive local exchange carriers ("CLECs") and Voice-over-Internet Protocol ("VoIP") service providers and (iii) resellers, sales agents and facilities-based providers that either use their own networks or lease parts of our networks. Over time, we expect to face additional local exchange competition from electric utility and satellite communications providers, municipalities and alternative networks or non-carrier systems designed to reduce demand for our switching or access services. The recent proliferation of companies offering integrated service offerings has intensified competition in Internet, long distance and data services markets, and we expect that competition will further intensify in these markets.

Our competitive position could be weakened in the future by strategic alliances or consolidation within the communications industry or the development of new technologies. Our ability to compete successfully will depend on how well we market our products and services and on our ability to anticipate and respond to various competitive and technological factors affecting the industry, including changes in regulation (which may affect us differently from our competitors), changes in consumer preferences or demographics, and changes in the product offerings or pricing strategies of our competitors.

Some of our current and potential competitors (i) offer a more comprehensive range of communications products and services, (ii) have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than ours, (iii) own larger and more diverse networks, (iv) conduct operations or raise capital at a lower cost than us, (v) are subject to less regulation, (vi) offer greater online content services or (vii) have substantially stronger brand names. Consequently, these competitors may be better equipped to charge lower prices for their products and services, to provide more attractive offerings, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, and to devote greater resources to the marketing and sale of their products and services.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our services or shifting to less profitable services, (iii) reduced traffic on our networks, (iv) our need to expend substantial time or money on new capital improvement projects, (v) our need to lower prices or increase marketing expenses to remain competitive and (vi) our inability to diversify by successfully offering new products or services.

Changes in technology could harm us.

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and electronic and wireless communications. The growing prevalence of electronic mail and similar digital communications continues to reduce demand for many of our products and services. Other changes in technology could result in the development of additional products or services that compete with or displace those offered by incumbent local exchange companies, or ILECs, or that enable current customers to reduce or bypass use of our networks. Several large electric utilities have announced plans to offer communications services that will compete with ILECs. Some of our competitors may enjoy network advantages that will enable them to provide services that have a greater market acceptance than ours. Technological change could also require us to expend capital or other resources in excess of currently contemplated levels. We cannot predict with certainty which technological changes will provide the greatest threat to our competitive position. We may not be able to obtain timely access to new technology on satisfactory terms or incorporate new technology into our systems in a cost effective manner, or at all. If we cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by our customers, we could be adversely impacted.

We cannot assure you that our diversification efforts will be successful.

The telephone industry has recently experienced a decline in access lines and intrastate minutes of use, which, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely affect our core business and future prospects. As explained elsewhere in greater detail in our Annual Report on Form 10–K for the year ended December 31, 2009, our access lines (excluding the effect of acquisitions) have decreased over the last several years, and we expect this trend to continue. We have also earned less intrastate revenues in recent years due to reductions in intrastate minutes of use (partially due to the displacement of minutes of use by wireless, electronic mail, text messaging, arbitrage and other optional calling services). We believe that our intrastate minutes of use will continue to decline, although the magnitude of such decrease is uncertain. Likewise, similar reductions are occurring for interstate minutes of use.

Recently, we broadened our services and products by offering satellite television as part of our bundled product and service offerings. As noted in further detail below, our reliance on other companies and their networks to provide these services could constrain our flexibility and limit the profitability of these new offerings. We provide facilities–based digital video services to select markets and may initiate other new service or product offerings in the future. We anticipate that these new offerings will generate lower profit margins than many of our traditional services. Moreover, our new product or service offerings could be constrained by intellectual property rights held by others, or could subject us to the risk of infringement claims brought against us by others. For these and other reasons, we cannot assure you that our recent or future diversification efforts will be successful.

Future deterioration in our financial performance could adversely impact our credit ratings, our cost of capital and our access to the capital markets.

We may not be able to continue to grow through acquisitions.

We have traditionally sought growth largely through acquisitions of properties similar to those currently operated by us, such as those that we acquired from Embarq in 2009 and those that we have agreed to acquire from Qwest. However, no assurance can be given that additional properties will in the future be available for purchase on terms attractive to us, particularly if they are burdened by regulations, pricing plans or competitive pressures that are new or different from those historically applicable to our incumbent properties. Moreover, no assurance can be given that we will be able to arrange additional financing on terms acceptable to us or to obtain timely federal and state governmental approvals on terms acceptable to us, or at all.

Our future results will suffer if we do not effectively adjust to changes in our business.

The above–described changes in our industry have placed a higher premium on marketing, technological, engineering and provisioning skills. Our acquisition of Embarq also changed the composition of our markets and product mix. Our future success depends, in part, on our ability to retrain our staff to acquire or strengthen skills necessary to address these changes, and, where necessary, to attract and retain new personnel that possess these skills.

Our future results will suffer if we do not effectively manage our expanded operations.

Following our pending acquisition of Qwest, we may continue to expand our operations through additional acquisitions, other strategic transactions, and new product and service offerings, some of which could involve complex technical, engineering, and operational challenges. Our future success depends, in part, upon our ability to manage our expansion opportunities, which pose substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. We cannot assure you that our expansion or acquisition opportunities will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

Our relationships with other communications companies are material to our operations and expose us to a number of risks.

We originate and terminate calls for long distance carriers and other interexchange carriers over our networks in exchange for access charges that represent a significant portion of our revenues. If these carriers go bankrupt or experience substantial financial difficulties, our inability to timely collect access charges from them could have a negative effect on our business and results of operations.

In addition, certain of our operations carry a significant amount of voice and data traffic for larger communications companies. As these larger communications companies consolidate or expand their networks, it is possible that they could transfer a significant portion of this traffic from our fiber network to their networks, which could have a negative effect on our business and results of operations.

We rely on certain reseller and sales agency arrangements with other companies to provide some of the services that we sell to our customers. If we fail to extend or renegotiate these arrangements as they expire from time to time or if these other companies fail to fulfill their contractual obligations, we may have difficulty finding alternative arrangements. In addition, as a reseller or sales agent, we do not control the availability, retail price, design, function, quality, reliability, customer service or branding of these products and services, nor do we directly control all of the marketing and promotion of these products and services. To the extent that these other companies make decisions that negatively impact our ability to market and sell our products and services, our business plans and reputation could be negatively impacted.

Network disruptions or system failures could adversely affect our operating results and financial condition.

To be successful, we will need to continue providing our customers with a high capacity, reliable and secure network. Some of the risks to our network and infrastructure include:

- power losses or physical damage to our access lines, whether caused by fire, adverse weather conditions (including those described immediately below), terrorism or otherwise
- capacity limitations
- software and hardware defects or malfunctions
- breaches of security, including sabotage, tampering, computer viruses and break–ins, and
- other disruptions that are beyond our control.

Disruptions or system failures may cause interruptions in service or reduced capacity for customers. If service is not restored in a timely manner, agreements with our customers or service standards set by state regulatory commissions could obligate us to provide credits or other remedies. If network security is breached, confidential information of our customers or others could be lost or misappropriated, and we may be required to expend additional resources modifying network security to remediate vulnerabilities. The occurrence of any disruption or system failure may result in a loss of business, increase expenses, damage our reputation, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial losses, any of which could have a material adverse effect on our results of operations and financial condition.

We face hurricane and other natural disaster risks, which can disrupt our operations and cause us to incur substantial additional capital costs.

A substantial number of our access lines are located in Florida, Alabama, Louisiana, Texas, North Carolina, and South Carolina, and our operations there are subject to the risks associated with severe tropical storms, hurricanes and tornadoes, including downed telephone lines, power–outages, damaged or destroyed property and equipment, and work interruptions.

Although we maintain property and casualty insurance on our plant (excluding our outside plant) and may under certain circumstances be able to seek recovery of some additional costs through increased rates, only a portion of our additional costs directly related to such hurricanes and natural disasters have historically been recoverable. We cannot predict whether we will continue to be able to obtain insurance for hazard–related damages or, if obtainable and carried, whether this insurance will be adequate to cover our losses. In addition, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims. Any future hazard–related costs and work interruptions could adversely affect our operations and our financial condition.

Any failure or inadequacy of our information technology infrastructure could harm our business.

The capacity, reliability and security of our information technology hardware and software infrastructure (including our billing systems) are important to the operation of our current business, which would suffer in the event of system failures. Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings, increased acquisition integration costs, service or billing interruptions, and the diversion of development resources.

We rely on a limited number of key suppliers and vendors to operate our business.

We depend on a limited number of suppliers and vendors for equipment and services relating to our network infrastructure. Our local exchange carrier networks consist of central office and remote sites, all with advanced digital switches. Some of the digital switches were manufactured by Nortel, which is currently restructuring its operations and selling assets under the bankruptcy laws of Canada, the United States and the United Kingdom. If any of these suppliers experience interruptions or other problems delivering or servicing these network components on a timely basis, our operations could suffer significantly. To the extent that proprietary technology of a supplier is an integral component of our network, we may have limited flexibility to purchase key network components from alternative suppliers. In addition, we rely on a limited number of software vendors to support our business management systems. In the event it becomes necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies or services on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

We may not own or have a license to use all technology that may be necessary to expand our product offerings, either of which could adversely affect our business and profitability.

From time to time, we may need to obtain the right to use certain patents or other intellectual property from third parties to be able to offer new products and services. If we cannot license or otherwise obtain rights to use any required technology from a third party on reasonable terms, our ability to offer new IP–based products and services, including VoIP, or other new offerings may be restricted, made more costly or delayed. Our inability to implement IP–based or other new offerings on a cost–effective basis could impair our ability to successfully meet increasing competition from companies offering voice or integrated communications services. Our inability to deploy new technologies could also prevent us from successfully diversifying, modifying or bundling our service offerings and result in accelerated loss of access lines and revenues or otherwise adversely affect our business and profitability.

Portions of our property, plant and equipment are located on property owned by third parties.

Over the past few years, certain utilities, cooperatives and municipalities in certain of the states in which we operate have requested significant rate increases for attaching our plant to their facilities. To the extent that these entities are successful in increasing the amount we pay for these attachments, our future operating costs will increase.

In addition, we rely on rights–of–way, co–location agreements and other authorizations granted by governmental bodies and other third parties to locate our cable, conduit and other network equipment on their respective properties. If any of these authorizations terminate or lapse, our operations could be adversely affected.

We depend on key members of our senior management team.

Our success depends largely on the skills, experience and performance of a limited number of senior officers. Competition for senior management in our industry is intense and we may have difficulty retaining our current senior managers or attracting new ones in the event of terminations or resignations. For a discussion of similar retention concerns relating to the Embarq merger and the pending Qwest merger, please see the risks described below under the headings "– Risks Related to our Acquisition of Embarq on July 1, 2009" and "Risks Relating to Our Pending Acquisition of Qwest."

We could be affected by certain changes in labor matters.

A substantial number of our employees are members of various bargaining units represented by two different unions. From time to time, our labor agreements with these unions lapse, and we typically negotiate the terms of new agreements. We cannot predict the outcome of these negotiations. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future. Moreover, our post–employment benefit offerings cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

Risks Relating to Our Pending Acquisition of Qwest

Our ability to complete the Qwest merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on us or could cause us to abandon the merger.

We are unable to complete the merger until we receive approvals from the FCC and various state governmental entities. In deciding whether to grant some of these approvals, the relevant governmental entity will make a determination of whether, among other things, the merger is in the public interest. Regulatory entities may impose certain requirements or obligations as conditions for their approval or in connection with their review.

The merger agreement may require us to accept conditions from these regulators that could adversely impact the combined company without us having the right to refuse to close the merger on the basis of those regulatory conditions. We can provide no assurance that we will obtain the necessary approvals or that any required conditions will not materially adversely effect us following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment of the merger.

Failure to complete the Qwest merger could negatively impact us.

If the merger is not completed, our ongoing businesses may be adversely affected and we will be subject to several risks, including the following:

- being required, under certain circumstances, to pay a termination fee of $350 million;
- having to pay certain costs relating to the proposed merger, such as legal, accounting, financial advisor, filing, printing and mailing fees; and

- diverting the focus of management from pursuing other opportunities that could be beneficial to us,

in each case, without realizing any of the benefits of having the merger completed.

The Qwest merger agreement contains provisions that could discourage a potential acquirer of CenturyLink or could result in any proposal being at a lower price than it might otherwise be.

The merger agreement contains "no shop" provisions that, subject to limited exceptions, restrict our ability to solicit, encourage, facilitate or discuss third–party proposals to acquire all or a significant part of CenturyLink. In some circumstances on termination of the merger agreement, we may be required to pay a termination fee to Qwest. These and other provisions in the Qwest merger agreement could discourage a potential acquirer that might have an interest in acquiring all or a significant part of CenturyLink from considering or proposing that acquisition, or might result in a potential acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

The pendency of the Qwest merger could adversely affect our business and operations.

In connection with the pending Qwest merger, some of our customers or vendors may delay or defer decisions, which could negatively impact our revenues, earnings, cash flows and expenses, regardless of whether the merger is completed. Similarly, our current and prospective employees may experience uncertainty about their future roles with the combined company following the merger, which may materially adversely affect our ability to attract and retain key personnel during the pendency of the merger. In addition, due to operating covenants in the merger agreement, we may be unable, during the pendency of the merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial.

We expect to incur substantial expenses related to the Qwest merger.

We expect to incur substantial expenses in connection with completing the Qwest merger and integrating Qwest's business, operations, networks, systems, technologies, policies and procedures of Qwest with ours. There are a large number of systems that must be integrated, including billing, management information, purchasing, accounting and finance, sales, payroll and benefits, fixed asset, lease administration and regulatory compliance. While we have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of our integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Moreover, we expect to commence these integration initiatives before we have completed a similar integration of our business with the business of Embarq, acquired in 2009, which could cause both of these integration initiatives to be delayed or rendered more costly or disruptive than would otherwise be the case. Due to these factors, the transaction and integration expenses associated with the Qwest merger could, particularly in the near term, exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the merger. As a result of these expenses, we expect to take charges against our earnings before and after the completion of the merger. The charges taken after the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present.

Following the Qwest merger, the combined company may be unable to integrate successfully our business and Qwest's business and realize the anticipated benefits of the merger.

The Qwest merger involves the combination of two companies which currently operate as independent public companies. The combined company will be required to devote significant management attention and resources to integrating the business practices and operations of CenturyLink and Qwest. We may encounter difficulties in the integration process, including the following:

- the inability to successfully combine our business and Qwest's business in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to result from the merger, which would result in the anticipated benefits of the merger not being realized partly or wholly in the time frame currently anticipated or at all;
- lost sales and customers as a result of certain customers of either of the two companies deciding not to do business with the combined company;

- the complexities associated with managing the combined businesses out of several different locations and integrating personnel from the two companies, while at the same time attempting to provide consistent, high quality products and services under a unified culture;
- the additional complexities of combining two companies with different histories, regulatory restrictions, markets and customer bases, and initiating this process before we have fully completed the integration of our operations with those of Embarq;
- the failure to retain key employees of either of the two companies;
- potential unknown liabilities and unforeseen increased expenses or regulatory conditions associated with the merger; and
- performance shortfalls at one or both of the two companies as a result of the diversion of management's attention caused by completing the merger and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the combined company's management, the disruption of the combined company's ongoing business or inconsistencies in the combined company's products, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits of the merger, or could otherwise adversely affect our business and financial results.

The Qwest merger will change the profile of our local exchange markets to include more large urban areas, with which we have limited operating experience.

Prior to the Embarq acquisition, we provided local exchange telephone services to predominantly rural areas and small to mid–size cities. Although Embarq's local exchange markets include Las Vegas, Nevada and suburbs of Orlando and several other large U.S. cities, we have operated these more dense markets only since mid–2009. Qwest's markets include Phoenix, Arizona, Denver, Colorado, Minneapolis — St. Paul, Minnesota, Seattle, Washington, Salt Lake City, Utah, and Portland, Oregon. Compared to our legacy markets, these urban markets, on average, are substantially denser and have experienced greater access line losses in recent years. While we believe our strategies and operating models developed serving rural and smaller markets can successfully be applied to larger markets, we can not assure you of this. Our business, financial performance and prospects could be harmed if our current strategies or operating models cannot be successfully applied to larger markets following the merger, or are required to be changed or abandoned to adjust to differences in these larger markets.

Following the Qwest merger, we may be unable to retain key employees.

Our success after the merger will depend in part upon our ability to retain key Qwest and CenturyLink employees. Key employees may depart either before or after the merger because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with us following the merger. Accordingly, no assurance can be given that we will be able to retain key employees to the same extent that we or Qwest have been able to in the past.

Following the Qwest merger, we may need to conduct branding or rebranding initiatives that are likely to involve substantial costs and may not be favorably received by customers.

We plan to consult with Qwest about how and under what brand names to market the various legacy communications services of CenturyLink and Qwest. Prior to the merger, each of us will each continue to market our respective products and services using the "CenturyLink" and "Qwest" brand names and logos. Following the merger, we may discontinue use of either or both of the "CenturyLink" or "Qwest" brand names and logos in some or all of the markets of the combined company. As a result, we expect to incur substantial capital and other costs in rebranding the combined company's products and services in those markets that previously used a different name, and may incur substantial write–offs associated with the discontinued use of a brand name. The failure of any of these initiatives could adversely affect our ability to attract and retain customers after the merger, resulting in reduced revenues.

Any adverse outcome of the KPNQwest litigation or other material litigation of Qwest or CenturyLink could have a material adverse impact on our financial condition and operating results following the Qwest merger.

As described in further detail in Qwest's reports filed with the SEC, the pending KPNQwest litigation presents material and significant risks to Qwest, and, following the merger, to the combined company. In the aggregate, the plaintiffs in these matters have sought billions of dollars in damages.

There are other material proceedings pending against Qwest and CenturyLink, as described in their respective reports filed with the SEC. Depending on their outcome, any of these matters could have a material adverse effect on the financial position or operating results of Qwest, CenturyLink or, following the merger, the combined company. We can give you no assurances as to the impact of these matters on our operating results or financial condition.

Counterparties to certain significant agreements with Qwest may exercise contractual rights to terminate such agreements following the Qwest merger.

Qwest is a party to certain agreements that give the counterparty a right to terminate the agreement following a "change in control" of Qwest. Under most such agreements, the Qwest merger will constitute a change in control of Qwest and therefore the counterparty may terminate the agreement upon the closing of the merger. Qwest has agreements subject to such termination provisions with significant customers, major suppliers and providers of services where Qwest has acted as reseller or sales agent. In addition, certain Qwest customer contracts, including those with state or federal government agencies, allow the customer to terminate the contract at any time for convenience, which would allow the customer to terminate its contract before, at or after the closing of the merger. Any such counterparty may request modifications of their respective agreements as a condition to their agreement not to terminate. There is no assurance that such agreements will not be terminated, that any such terminations will not result in a material adverse effect, or that any modifications of such agreements to avoid termination will not result in a material adverse effect.

We may be unable to obtain security clearances necessary to perform certain Qwest government contracts.

Certain Qwest legal entities and officers have security clearances required for Qwest's performance of customer contracts with various government entities. Following the merger, it may be necessary for us to obtain comparable security clearances. If we or our officers are unable to qualify for such security clearances, we may not be able to continue to perform such contracts.

We cannot assure you whether, when or in what amounts we will be able to use Qwest's net operating losses following the Qwest merger.

As of June 30, 2010, Qwest had $5.2 billion of net operating losses, or NOLs, which for federal income tax purposes can be used to offset future taxable income, subject to certain limitations under Section 382 of the Code and related regulations. Our ability to use these NOLs following the Qwest merger may be further limited by Section 382 if Qwest is deemed to undergo an ownership change as a result of the merger or we are deemed to undergo an ownership change following the merger, either of which could potentially restrict use of a material portion of the NOLs. Determining the limitations under Section 382 is technical and highly complex. Although both companies, based on their review to date, currently believe that Qwest will not undergo an ownership change as a result of the merger, neither company has definitively completed the analysis necessary to confirm this. Even if it is ultimately determined that Qwest did not undergo an ownership change, utilization of the NOLs will be subject to the separate return limitation rules and will be restricted to application against the taxable income generated by the Qwest group. Moreover, issuances or sales of our stock following the merger (including certain transactions outside of our control) could result in an ownership change under Section 382. For these and other reasons, we cannot assure you that we will be able to use the NOLs after the merger in the amounts we project.

The pending Qwest merger raises other risks.

For information on other risks raised by the pending Qwest merger, please see (i) the risks described below under the heading "– Other Risks" and (ii) the joint proxy statement – prospectus filed by us with the SEC on July 19, 2010.

Risks Related to our Acquisition of Embarq on July 1, 2009

We have not yet fully integrated Embarq's operations into our operations, which involves several risks.

We continue to incur substantial expenses in connection with integrating the business, operations, networks, systems, technologies, policies and procedures of Embarq with ours, which will likely result in us continuing to take significant charges against earnings in future quarters. We cannot assure you that we will be able to successfully integrate our legacy business with Embarq's business, or that we will be able to retain key employees affected by the Embarq merger. For more information on these risks, please see (i) the risk factors included in Item 1A of our Annual Report on Form 10–K for the year ended December 31, 2009 and (ii) the risks described above under the heading "– Risks Relating to Our Pending Acquisition of Qwest" that discuss the costs and uncertainties associated with integrating Qwest's operations into ours.

In connection with completing the Embarq merger, we launched branding initiatives that may not be favorably received by customers.

Upon completion of the merger, we changed our brand name to CenturyLink. We have incurred substantial capital and operating costs in re–branding our products and services. There is no assurance that we will be able to achieve name recognition or status under our new brand that is comparable to the recognition and status previously enjoyed. The failure of these initiatives could adversely affect our ability to attract and retain customers after the merger, resulting in reduced revenues.

In connection with approving the Embarq merger, the Federal Communications Commission has imposed conditions that could increase our future capital costs and limit our operating flexibility.

In connection with approving the Embarq merger, the FCC issued a publicly–available order that imposed a comprehensive set of conditions on our operations over periods ranging from one to three years following the closing date. Among other things, these conditions commit us (i) to make broadband service available to all of our residential and single line business customers within three years of the closing, (ii) to meet various targets regarding the speed of our broadband services, and (iii) to enhance the wholesale service levels in our legacy markets to match the service levels in Embarq's markets. Although most of these commitments largely correspond to our business strategies, they could increase our overall future capital or operating costs or limit our flexibility to deploy capital in response to changing market conditions. Moreover, if for any reason we fail to meet any of these commitments, the FCC could assess penalties or fines or impose additional orders regulating our operations.

In connection with completing the Embarq merger, we assumed various contingent liabilities and a sizable underfunded pension plan of Embarq, which could negatively impact our future financial position or performance.

Upon consummating the merger, Embarq became our wholly–owned subsidiary and remains responsible for all of its pre–closing contingent liabilities, including Embarq's previously–disclosed risks arising under its tax sharing agreement with Sprint Nextel Corporation, its retiree benefit litigation, and various environmental claims. Embarq also remains responsible for benefits under its existing qualified defined benefit pension plan, which as of December 31, 2009 was in an underfunded position. If any of these matters give rise to material liabilities, our consolidated operating results or financial position will be negatively affected. Additional information regarding these risks is available in (i) Items 3 and 8 of our Annual Report on Form 10–K for the year ended December 31, 2009 and (ii) the periodic reports filed by Embarq with the SEC through the date of the merger.

Risks Related to Our Regulatory Environment

Our revenues could be materially reduced or our expenses materially increased by changes in state or federal regulations.

The majority of our revenues are substantially dependent upon regulations which, if changed, could result in material revenue reductions. Laws and regulations applicable to us and our competitors have been and are likely to continue to be subject to ongoing changes and court challenges, which could also affect our financial performance.

Risk of loss or reduction of network access charge revenues or support fund payments. A significant portion of our revenues is derived from access charge revenues that are paid to us by long distance carriers based largely on rates set by federal and state regulatory bodies. Interexchange carriers have filed complaints in several of our operating states requesting lower intrastate access rates. Several state public service commissions are investigating intrastate access rates and the ultimate outcome and impact of such investigations are uncertain.

The FCC regulates tariffs for interstate access and subscriber line charges, both of which are components of our revenue. The FCC has been considering comprehensive reform of its intercarrier compensation rules for several years, including proposals included in its recently–released National Broadband Plan that, as proposed, are likely to reduce network access payments. Any reform eventually adopted by the FCC will likely involve significant changes in the access charge system and could potentially result in a significant decrease or elimination of access charges altogether. In addition, we could be harmed if carriers that use our access services become financially distressed or bypass our networks, either due to changes in regulation or other factors. Furthermore, access charges currently paid to us could be diverted to competitors who enter our markets or expand their operations, either due to changes in regulation or otherwise.

The FCC has been evaluating potential changes to special access rates and regulation for several years. This issue could also be impacted by the outcome of the National Broadband Plan. Since a substantial portion of our access revenues is derived from special access, we could be harmed if adverse special access regulation is adopted by the FCC.

The FCC and Congress may take actions that would impact our access to video programming and pricing, which could impact our ability to continue to expand our video business and impact our competitive position in our existing video markets.

We receive revenues from the federal Universal Service Fund ("USF"), and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and we cannot provide assurance that they will not be changed or impacted in a manner adverse to us. For several years, the FCC and the federal–state joint board considered comprehensive reforms of the federal USF contribution and distribution rules. During this period, various parties have objected to the size of the USF or questioned the continued need to maintain the program in its current form. Over the past few years, high cost support fund payments to our operating subsidiaries have decreased due to increases in the nationwide average cost per loop factor used to determine payments to program participants, as well as declines in the overall size of the high cost support fund. In addition, the number of eligible telecommunications carriers receiving support payments from this program has increased substantially in recent years, which, coupled with other factors, has placed additional financial pressure on the amount of money that is available to provide support payments to all eligible recipients, including us.

The FCC's National Broadband Plan released on March 16, 2010 seeks comprehensive changes in federal communications regulations and programs that could, among other things, result in lower USF and access revenues for several of our local exchange companies. At this stage, we cannot predict the ultimate outcome of this plan or provide any assurances that its implementation will not have a material adverse effect on our business, operating results or financial condition.

Risks posed by state regulations. We are also subject to the authority of state regulatory commissions which have the power to regulate intrastate rates and services, including local, in–state long–distance and network access services. The limited number of our ILECs that continue to be subject to "rate of return" regulation for intrastate purposes remain subject to the powers of state regulatory commissions to conduct earnings reviews and reduce our service rates. Our ILECs governed by alternative regulatory plans could also under certain circumstances be ordered to reduce rates or could experience rate reductions following the lapse of plans currently in effect. Our business could also be materially adversely affected by the adoption of new laws, policies and regulations or changes to existing state regulations. In particular, we cannot assure you that we will succeed in obtaining or maintaining all requisite state regulatory approvals for our operations without the imposition of adverse conditions on our business that impose additional costs or limit our revenues.

Risks posed by costs of regulatory compliance. Regulations continue to create significant compliance costs for us. Challenges to our tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and, if successful, such challenges could adversely affect the rates that we are able to charge our customers. Our business also may be impacted by legislation and regulation imposing new or greater obligations related to regulations or laws related to bolstering homeland security, increasing disaster recovery requirements, minimizing environmental impacts, enhancing privacy, or addressing other issues that impact our business, including the Communications Assistance for Law Enforcement Act (which requires communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance), and laws governing local number portability and customer proprietary network information requirements. We expect our compliance costs to increase if future laws or regulations continue to increase our obligations to assist other governmental agencies.

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Regulatory changes in the communications industry could adversely affect our business by facilitating greater competition against us.

The Telecommunications Act of 1996 provides for significant changes and increased competition in the communications industry, including the local and long distance telephone industries. This Act and the FCC's implementing regulations remain subject to judicial review and additional rulemakings, thus making it difficult to predict what effect the legislation will ultimately have on us and our competitors. Several regulatory and judicial proceedings addressing communications issues have recently concluded, are underway or may soon be commenced. Moreover, certain communities nationwide have expressed an interest in establishing municipal telephone utilities that would compete for customers. Finally, federal broadband stimulus projects authorized by Congress in 2009 and the above–described National Broadband Plan announced in early 2010 may adversely impact us. We cannot predict the outcome of these developments, nor can we assure that these changes will not have a material adverse effect on us or our industry.

We are subject to significant regulations that limit our flexibility.

As a diversified full service ILEC, we have traditionally been subject to significant regulation that does not apply to many of our competitors. For instance, unlike many of our competitors, we are subject to federal mandates to share facilities, file and justify tariffs, maintain certain accounts and file reports, and state requirements that obligate us to maintain service standards and limit our ability to change tariffs in a timely manner. This regulation imposes substantial compliance costs on us and restricts our ability to change rates, to compete and to respond rapidly to changing industry conditions. Although newer alternative forms of regulation permit us greater freedoms in several states in which we operate, they nonetheless typically impose caps on the rates that we can charge our customers. As our business becomes increasingly competitive, regulatory disparities between us and our competitors could impede our ability to compete. Litigation and different objectives among federal and state regulators could create uncertainty and impede our ability to respond to new regulations. Moreover, changes in tax laws, regulations or policies could increase our tax rate, particularly if state regulators continue to search for additional revenue sources to address budget shortfalls. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

We are subject to franchising requirements that could impede our expansion opportunities.

We may be required to obtain from municipal authorities operating franchises to install or expand facilities. Some of these franchises may require us to pay franchise fees. These franchising requirements generally apply to our fiber transport and CLEC operations, and to our emerging switched digital television and wireless broadband businesses. These requirements could delay us in expanding our operations or increase the costs of providing these services.

We will be exposed to risks arising out of recent legislation affecting U.S. public companies, including risks relating to evaluations of controls required by Section 404 of the Sarbanes–Oxley Act.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes–Oxley Act and the Dodd–Frank Wall Street Reform and Consumer Protection Act, and related regulations implemented by the SEC, the New York Stock Exchange and the Public Company Accounting Oversight Board, are increasing legal and financial compliance costs and making some activities more time consuming. Any future failure to successfully or timely complete annual assessments of our internal controls required by Section 404 of the Sarbanes–Oxley Act could subject us to sanctions or investigation by regulatory authorities. Any such action could adversely affect our financial results or investors' confidence in us, and could cause our stock price to fall. If we fail to maintain effective controls and procedures, we may be unable to provide financial information in a timely and reliable manner, which could in certain instances limit our ability to borrow or raise capital.

For a more thorough discussion of the regulatory issues that may affect our business, see Item 1 of our Annual Report on Form 10–K for the year ended December 31, 2009.

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Other Risks

We have a substantial amount of indebtedness and may need to incur more in the future.

We have a substantial amount of indebtedness, which could have material adverse consequences for us, including (i) hindering our ability to adjust to changing market, industry or economic conditions, (ii) limiting our ability to access the capital markets to refinance maturing debt or to fund acquisitions or emerging businesses, (iii) limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses, (iv) making us more vulnerable to economic or industry downturns, including interest rate increases, and (v) placing us at a competitive disadvantage to those of our competitors that have less indebtedness.

As a result of assuming Qwest's indebtedness in connection with the pending Qwest merger, we will become more leveraged. This could reduce our credit ratings and thereby raise our borrowing costs.

In connection with executing our business strategies following the Qwest merger, we expect to continue to evaluate the possibility of acquiring additional communications assets and making strategic investments, and we may elect to finance future acquisitions by incurring additional indebtedness. Moreover, to respond to competitive challenges, we may be required to raise substantial additional capital to finance new product or service offerings. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all. If we are able to obtain additional financing, our credit ratings could be adversely affected, which could further raise our borrowing costs and further limit our future access to capital and our ability to satisfy our debt obligations.

Adverse changes in the value of assets or obligations associated with our employee benefit plans could negatively impact our financial results or financial position.

We maintain one or more qualified pension plans, non-qualified pension plans and post-retirement benefit plans, several of which are currently underfunded. Adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in the benefit obligations under these plans or a significant decrease in the value of plan assets. With respect to the qualified pension plans, adverse changes could require us to contribute a material amount of cash to the plans or could accelerate the timing of any required cash payments. The process of calculating benefit obligations is complex. The amount of required contributions to these plans in future years will depend on earnings on investments, prevailing discount rates, changes in the plans and funding laws and regulations. Any future material cash contributions could have a negative impact on our financial results or financial position.

We have a significant amount of goodwill on our balance sheet. If our goodwill becomes impaired, we may be required to record a significant charge to earnings and reduce our stockholders' equity.

Under generally accepted accounting principles, goodwill is not amortized but instead is reviewed for impairment on an annual basis or more frequently whenever events or circumstances indicate that its carrying value may not be recoverable. If our goodwill is determined to be impaired in the future, we may be required to record a significant, non-cash charge to earnings during the period in which the impairment is determined.

We cannot assure you that we will be able to continue paying dividends at the current rate.

We plan to continue our current dividend practices. However, you should be aware that these practices are subject to change for reasons that may include any of the following factors:

- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of our board of directors, which reserves the right to change our dividend practices at any time and for any reason;
- the effects of regulatory reform, including any changes to intercarrier compensation, Universal Service Fund or special access rules;

- our desire to maintain or improve the credit ratings on our senior debt;
- the amount of dividends that we may distribute to our shareholders is subject to restrictions under Louisiana law and is limited by restricted payment and leverage covenants in our credit facilities and, potentially, the terms of any future indebtedness that we may incur; and
- the amount of dividends that our subsidiaries may distribute to CenturyLink is subject to restrictions imposed by state law, restrictions that have been or may be imposed by state regulators in connection with obtaining necessary approvals for the Embarq merger and pending Qwest merger, and restrictions imposed by the terms of credit facilities applicable to certain subsidiaries and, potentially, the terms of any future indebtedness that these subsidiaries may incur.

Our Board of Directors is free to change or suspend our dividend practices at any time. Our common shareholders should be aware that they have no contractual or other legal right to dividends.

Our current dividend practices could limit our ability to pursue growth opportunities.

The current practice of our Board of Directors to pay an annual $2.90 per common share dividend reflects an intention to distribute to our shareholders a substantial portion of our free cash flow. As a result, we may not retain a sufficient amount of cash to finance a material expansion of our business in the future. In addition, our ability to pursue any material expansion of our business, through acquisitions or increased capital spending, will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at all, or at an acceptable cost.

As a holding company, we rely on payments from our operating companies to meet our obligations.

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under our long-term debt. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us or, subject to limited exceptions for tax-sharing purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. Certain of our subsidiaries may be restricted under loan agreements or regulatory orders from transferring funds to us, including certain restrictions on the amount of dividends that may be paid to us. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. The notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 describe these matters in additional detail.

Changes in the tax rate on dividends could reduce demand for our stock.

The current maximum U.S. tax rate of 15% on qualified dividends is scheduled to rise to a maximum rate of 39.6% on January 1, 2011 if Congress does not otherwise act. An increase in the U.S. tax rate on dividends could reduce demand for our stock, which could potentially depress its trading price.

Our agreements and organizational documents and applicable law could limit another party's ability to acquire us.

Our articles of incorporation provide for a classified board of directors, which limits the ability of an insurgent to rapidly replace the board. In addition, a number of other provisions in our agreements and organizational documents and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyLink unless the takeover is approved by our Board of Directors. This could deprive our shareholders of any related takeover premium.

We face other risks.

The list of risks above is not exhaustive, and you should be aware that we face various other risks discussed in this or other reports, proxy statements or documents filed by us or Embarq with the SEC.

QWEST AND CENTURYLINK

FCC ARMIS Service Quality Reports for 2009

(All Qwest operations as ILEC, most CenturyLink operations in U.S.)

LOCAL SERVICES

	Qwest	CenturyLink
Average Installation Intervals in Days		
Business Lines	0.0	1.6
All Lines	0.2	1.6
Percent of Local Installation Commitments not Met		
Business Lines	0.25 %	3.46 %
All Lines	0.65 %	4.87 %
Out of Service Repair Intervals in Hours		
Business Lines	17.7	19.0
All Lines	15.6	16.7
Repeat Out of Service Trouble Reports as a Percentage of Initial Out of Service Trouble Reports		
Business Lines	18.2 %	18.2 %
All Lines	16.9 %	16.2 %
State Complaints per 1,000,000 Lines		
Business Lines	90	10
All Lines	26	3
Total Trouble Reports per Month per 100 Lines		
Business Lines	0.98	1.65
All Lines	0.50	0.67

SPECIAL ACCESS SERVICES

	Qwest	CenturyLink
Average Installation Intervals in Days	4.6	10.6
Out of Service Repair Intervals in Hours	2.9	3.8
Percentage of Special Access Commitments not Met	2.0 %	9.1 %
Total Trouble Reports per Circuit	0.41	2.08